

ADJUSTED

BAXTER INTERNATIONAL INC.
Adjusted Consolidated Statements of Income
(unaudited)
(in millions, except per share data)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2005	2004	Change	2005	2004	Change
CONTINUING OPERATIONS:						
NET SALES	\$2,398	\$2,320	3%	\$7,358	\$6,908	7%
GROSS PROFIT	1,037	963	8%	3,119	2,840	10%
% to Sales	43.2%	41.5%	1.7 pts	42.4%	41.1%	1.3 pts
MARKETING AND ADMINISTRATIVE EXPENSES	490	462	6%	1,510	1,405	7%
% to Sales	20.4%	19.9%	0.5 pts	20.5%	20.3%	0.2 pts
RESEARCH AND DEVELOPMENT EXPENSES	133	124	7%	399	389	3%
OPERATING INCOME	414	377	10%	1,210	1,046	16%
% to Sales	17.3%	16.3%	1.0 pts	16.4%	15.1%	1.3 pts
INTEREST, NET	31	20	55%	95	66	44%
OTHER EXPENSE, NET	10	11	(9%)	59	59	-%
INCOME BEFORE INCOME TAXES	373	346	8%	1,056	921	15%
INCOME TAX EXPENSE	77	87	(11%)	227	230	(1%)
INCOME FROM CONTINUING OPERATIONS	\$296	\$259	14%	\$829	\$691	20%
BASIC EPS FROM CONTINUING OPERATIONS	\$0.48	\$0.42	14%	\$1.34	\$1.13	19%
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.47	\$0.42	12%	\$1.32	\$1.12	18%
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	622	615		621	613	
Diluted	632	619		627	617	

RECONCILIATION OF ADJUSTED AMOUNTS TO GAAP AMOUNTS

Net Income					
Adjusted net income from continuing operations	\$296	\$259		\$829	\$691
Special items	(180)	-		(165)	(414)
Discontinued operations	-	17		-	5
GAAP net income	\$116	\$276		\$664	\$282
Diluted EPS					
Adjusted net income from continuing operations	\$0.47	\$0.42		\$1.32	\$1.12
Special items	(0.29)	-		(0.26)	(0.67)
Discontinued operations	-	0.03		-	0.01
GAAP net income	\$0.18	\$0.45		\$1.06	\$0.46

Non-GAAP Financial Measures: The non-GAAP (generally accepted accounting principles) financial measures contained in this press release (including the presentation above of earnings and per-share earnings, excluding certain items) adjust for factors that are unusual or nonrecurring. Unusual or nonrecurring items can be highly variable, difficult to predict, and of a size that may substantially impact the company's reported operations for a period. Management believes that non-GAAP financial measures can facilitate a fuller analysis of the company's results of operations, particularly in evaluating performance period over period. Management uses these non-GAAP financial measures internally in financial planning, to monitor performance, and in setting performance compensation targets.