

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

	Three Months Ended March 31,		
	2005	2004	Change
<u>CONTINUING OPERATIONS:</u>			
NET SALES	\$2,383	\$2,209	8%
GROSS PROFIT	969	893	9%
% to Sales	40.7%	40.4%	0.3 pts
MARKETING AND ADMINISTRATIVE EXPENSES	483	466	4%
% to Sales	20.3%	21.1%	(0.8 pts)
RESEARCH AND DEVELOPMENT EXPENSES	133	136	(2%)
OPERATING INCOME	353	291	21%
% to Sales	14.8%	13.2%	1.6 pts
INTEREST, NET	31	21	48%
OTHER EXPENSE, NET	24	21	14%
INCOME BEFORE INCOME TAXES	298	249	20%
INCOME TAX EXPENSE	74	62	19%
INCOME FROM CONTINUING OPERATIONS	\$224	\$187	20%
BASIC EPS FROM CONTINUING OPERATIONS	\$0.36	\$0.31	16%
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.36	\$0.30	20%
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	619	612	
Diluted	623	616	
<u>RECONCILIATION TO NET INCOME</u>			
Income from continuing operations	\$224	\$187	
Discontinued operations	2	(11)	
Net income	\$226	\$176	

BAXTER INTERNATIONAL INC.
Cash Flows from Continuing Operations and Changes in Net Debt
(unaudited)
(\$ in millions)

Cash Flows from Continuing Operations		
(Brackets denote cash outflows)	Three Months Ended	
	March 31,	
	2005	2004
Income from continuing operations	\$224	\$187
Adjustments		
Depreciation and amortization	147	149
Deferred income taxes	23	10
Other	18	23
Changes in balance sheet items		
Accounts receivable	44	(96)
Inventories	19	(66)
Accounts payable and accrued liabilities	(245)	(252)
Restructuring payments	(43)	(37)
Other	84	29
Cash flows from continuing operations	\$271	(\$53)

Changes in Net Debt		
Increase (decrease)	Three Months Ended	
	March 31,	
	2005	2004
Net debt, January 1	\$3,185	\$3,649
Cash flows from continuing operations	(271)	53
Capital expenditures	65	90
Dividends	359	361
Acquisitions, net	-	5
Purchases of treasury stock	-	11
Other, including the effect of exchange rate changes	155	(8)
Increase in net debt	308	512
Net debt, March 31	\$3,493	\$4,161

Key statistics, March 31:		
Days sales outstanding	59.2	61.4
Inventory turns	2.6	2.3
Net-debt-to-capital ratio (A)	34.9%	42.4%

(A) The net-debt-to-capital ratio was calculated in accordance with the company's primary credit agreements, which give 70% equity credit to the company's December 2002 \$1.25 billion issuance of equity units.

BAXTER INTERNATIONAL INC.
Condensed Consolidated Balance Sheets
(unaudited)
(\$ in millions)

	March 31, 2005	December 31, 2004
ASSETS		
Cash and equivalents	\$1,106	\$1,109
Receivables	1,982	2,091
Inventories	2,105	2,135
Other current assets (1)	588	684
Total current assets	5,781	6,019
Property, plant and equipment, net	4,310	4,369
Other long-term assets (1)	3,717	3,759
Total assets	\$13,808	\$14,147
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt (2)	\$1,577	\$361
Other current liabilities (1)	3,118	3,925
Long-term debt	3,022	3,933
Other long-term liabilities (1)	2,081	2,223
Stockholders' equity	4,010	3,705
Total liabilities and stockholders' equity	\$ 13,808	\$ 14,147

(1) The following is a summary of the company's cross-currency swaps.

	March 31, 2005	December 31, 2004
<u>Original swaps</u>		
Other current liabilities	\$159	\$465
Other long-term liabilities	764	831
Total	923	1,296
<u>Mirror swaps</u>		
Other current assets	34	109
Other long-term assets	7	20
Other long-term liabilities	(11)	(5)
Total	30	124
Net total of all cross-currency swaps	\$893	\$1,172

Note: As further discussed in the company's SEC filings, during the fourth quarter of 2004 the company executed offsetting or mirror swaps. These mirror swaps fix the net amount the company will ultimately pay to settle the swaps subject to this strategy. After execution of the mirror swaps, as the market value of the fixed portion of the original portfolio decreases, the market value of the mirror swaps increases, and vice versa. At March 31, 2005, 54% of the portfolio was mirrored.

During the first quarter of 2005, the company settled certain swap agreements (and related mirror swaps, as applicable), and made net payments totaling \$254 million. In accordance with GAAP, \$312 million of outflows were classified in the financing section of the statement of cash flows, and \$58 million of inflows were classified in the operating section of the statement of cash flows.

(2) The increase in short-term debt from December 31, 2004 to March 31, 2005 principally related to the reclassification of \$873 million of notes due in 2006 from long-term to short-term.

Baxter International Inc.
Net Sales from Continuing Operations
Period Ending March 31, 2005
(unaudited)

(\$ in millions)	Q1 2005	Q1 2004	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience				
United States	\$398	\$385	3%	3%
International	504	425	19%	12%
Total	\$902	\$810	11%	8%
Medication Delivery				
United States	\$552	\$534	3%	3%
International	426	392	9%	4%
Total	\$978	\$926	6%	3%
Renal				
United States	\$94	\$100	(6%)	(6%)
International	409	373	10%	4%
Total	\$503	\$473	6%	2%
Baxter International Inc.				
United States	\$1,044	\$1,019	2%	2%
International	1,339	1,190	13%	7%
Total	\$2,383	\$2,209	8%	5%

Baxter International Inc.
Key Product Line Sales
Period Ending March 31, 2005
(unaudited)

(\$ in millions)	Q1 2005	Q1 2004	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience				
Recombinants	\$344	\$292	18%	14%
Plasma Proteins ¹	259	238	9%	5%
Antibody Therapy	89	80	11%	8%
Transfusion Therapies	133	140	(5%)	(8%)
Other ²	77	60	28%	27%
Total BioScience	\$902	\$810	11%	8%
Medication Delivery				
IV Therapies ³	\$296	\$282	5%	1%
Drug Delivery	204	188	9%	7%
Infusion Systems	230	188	22%	20%
Anesthesia	231	242	(5%)	(6%)
Other ⁴	17	26	(35%)	(31%)
Total Medication Delivery ⁵	\$978	\$926	6%	3%
Renal				
PD Therapy	\$374	\$345	8%	4%
HD Therapy	126	124	2%	(3%)
Other	3	4	(25%)	(25%)
Total Renal	\$503	\$473	6%	2%
TOTAL BAXTER	\$2,383	\$2,209	8%	5%

¹ Includes plasma-derived hemophilia (FVII, FVIII, FIX and FEIBA), albumin, biosurgery (Tisseel) and other plasma-based products.

² Principally includes vaccines and non-plasma-based biosurgery products (FloSeal & CoSeal).

³ Principally includes intravenous solutions and nutritional products.

⁴ Principally includes other hospital-distributed products.

⁵ Sales of oncology products, which were previously included in Other, are now reported in Drug Delivery, Infusion Systems or Anesthesia, depending on the product. All prior year sales data has been reclassified to reflect this change.

Baxter International Inc.
Key Product Line Sales -- US/International
Period Ending March 31, 2005
(unaudited)

(\$ in millions)	Q1 2005			Q1 2004			% Growth		
	US	International	Total	US	International	Total	US	International	Total
BioScience									
Recombinants	\$145	\$199	\$344	\$141	\$151	\$292	3%	32%	18%
Plasma Proteins ¹	112	147	259	114	124	238	(2%)	19%	9%
Antibody Therapy	48	41	89	43	37	80	12%	11%	11%
Transfusion Therapies	65	68	133	65	75	140	0%	(9%)	(5%)
Other ²	28	49	77	22	38	60	27%	29%	28%
Total BioScience	\$398	\$504	\$902	\$385	\$425	\$810	3%	19%	11%
Medication Delivery									
IV Therapies ³	\$94	\$202	\$296	\$103	\$179	\$282	(9%)	13%	5%
Drug Delivery	139	65	204	126	62	188	10%	5%	9%
Infusion Systems	155	75	230	126	62	188	23%	21%	22%
Anesthesia	158	73	231	171	71	242	(8%)	3%	(5%)
Other ⁴	6	11	17	8	18	26	(25%)	(39%)	(35%)
Total Medication Delivery ⁵	\$552	\$426	\$978	\$534	\$392	\$926	3%	9%	6%
Renal									
PD Therapy	\$60	\$314	\$374	\$63	\$282	\$345	(5%)	11%	8%
HD Therapy	32	94	126	34	90	124	(6%)	4%	2%
Other	2	1	3	3	1	4	(33%)	0%	(25%)
Total Renal	\$94	\$409	\$503	\$100	\$373	\$473	(6%)	10%	6%
TOTAL BAXTER	\$1,044	\$1,339	\$2,383	\$1,019	\$1,190	\$2,209	2%	13%	8%

¹ Includes plasma-derived hemophilia (FVII, FVIII, FIX and FEIBA), albumin, biosurgery (Tisseel) and other plasma-based products.

² Principally includes vaccines and non-plasma-based biosurgery products (FloSeal & CoSeal).

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