

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Three Months Ended March 31, 2006 and 2005
(unaudited)
(in millions, except per share and percentage data)

	Three Months Ended March 31,		
	2006	2005	Change
CONTINUING OPERATIONS:			
NET SALES	\$2,409	\$2,383	1%
GROSS PROFIT	1,052	969	9%
% of Sales	43.7%	40.7%	3.0 pts
MARKETING AND ADMINISTRATIVE EXPENSES	526	483	9%
% of Sales	21.8%	20.3%	1.5 pts
RESEARCH AND DEVELOPMENT EXPENSES	138	133	4%
OPERATING INCOME	388	353	10%
% of Sales	16.1%	14.8%	1.3 pts
INTEREST, NET	18	31	(42%)
OTHER EXPENSE, NET	16	24	(33%)
INCOME BEFORE INCOME TAXES	354	298	19%
INCOME TAX EXPENSE	72	74	(3%)
INCOME FROM CONTINUING OPERATIONS	\$282	\$224	26%
BASIC EPS FROM CONTINUING OPERATIONS			
	\$0.44	\$0.36	22%
DILUTED EPS FROM CONTINUING OPERATIONS			
	\$0.43	\$0.36	19%
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	641	619	
Diluted	648	623	

Note: Effective January 1, 2006, the company adopted SFAS No. 123-R using the modified prospective method. After-tax stock-option expense for the first quarter of 2006 was \$10 million, or \$0.02 per diluted share. In accordance with the modified prospective adoption method, the company did not adjust its historical consolidated financial statements to reflect the impact of stock-option expense. Based on the pro forma application of SFAS No. 123 for the calculation of stock-option expense prior to January 1, 2006 (as previously disclosed in the company's consolidated financial statements), pro forma after-tax stock-option expense in the first quarter of 2005 was \$12 million, or \$0.02 per diluted share.

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

	March 31, <u>2006</u>	December 31, <u>2005</u>
<u>ASSETS</u>		
Cash and equivalents	\$881	\$841
Receivables	1,750	1,766
Inventories	2,006	1,925
Other current assets	<u>594</u>	<u>584</u>
Total current assets	<u>5,231</u>	<u>5,116</u>
Property, plant and equipment, net	4,122	4,144
Other long-term assets	<u>3,427</u>	<u>3,467</u>
Total assets	<u>\$12,780</u>	<u>\$12,727</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Short-term debt	\$129	\$924
Other current liabilities	2,796	3,241
Long-term debt	2,276	2,414
Other long-term liabilities	1,832	1,849
Shareholders' equity	<u>5,747</u>	<u>4,299</u>
Total liabilities and shareholders' equity	<u>\$12,780</u>	<u>\$12,727</u>

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

Cash Flows from Operations		
(Brackets denote cash outflows)		
	Three Months Ended March 31,	
	2006	2005
Net income	\$282	\$226
Adjustments		
Depreciation and amortization	139	147
Deferred income taxes	2	23
Stock compensation	18	1
Other	18	17
Changes in balance sheet items		
Receivables	38	59
Inventories	(63)	19
Accounts payable and accrued liabilities	(105)	(259)
Restructuring payments	(19)	(43)
Other	(5)	82
Cash flows from operations	\$305	\$272
Changes in Net Debt		
Increase (decrease)		
	Three Months Ended March 31,	
	2006	2005
Net debt, January 1	\$2,497	\$3,185
Cash flows from operations	(305)	(272)
Capital expenditures	76	65
Dividends	363	359
Issuances of common stock	(1,249)	-
Purchases of treasury stock	171	-
Other, including the effect of exchange rate changes	(29)	156
Increase (decrease) in net debt	(973)	308
Net debt, March 31	\$1,524	\$3,493
Key statistics, March 31:		
Days sales outstanding	54.8	59.2
Inventory turns	2.6	2.6
Net-debt-to-capital ratio (A)	21.0%	34.9%

- (A) The decrease in the debt-to-capital ratio from March 31, 2005 to March 31, 2006 primarily related to the settlement of the company's equity units. In February 2006, the purchase contracts included in the company's equity units matured, and the company issued approximately 35 million common shares in exchange for \$1.25 billion. Management used a portion of the cash proceeds to pay down maturing debt. The net-debt-to-capital ratio at March 31, 2005 was calculated in accordance with the company's primary credit agreements, which gave 70% equity credit to the company's \$1.25 billion equity units debt outstanding on that date (the majority of which was repurchased and retired in the fourth quarter of 2005). Refer to the company's Form 10-K for the year ended December 31, 2005 for additional information regarding the equity units.

Baxter International Inc.
Net Sales from Continuing Operations
Period Ending March 31, 2006
(unaudited)

(\$ in millions)	Q1 2006	Q1 2005	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience				
United States	\$474	\$398	19%	19%
International	526	504	4%	11%
Total	\$1,000	\$902	11%	15%
Medication Delivery				
United States	\$491	\$552	(11%)	(11%)
International	425	426	-%	4%
Total	\$916	\$978	(6%)	(4%)
Renal				
United States	\$94	\$94	-%	-%
International	399	409	(2%)	1%
Total	\$493	\$503	(2%)	1%
Baxter International Inc.				
United States	\$1,059	\$1,044	1%	1%
International	1,350	1,339	1%	6%
Total	\$2,409	\$2,383	1%	4%

Baxter International Inc.
Key Product Line Sales
Period Ending March 31, 2006
(unaudited)

(\$ in millions)	Q1 2006	Q1 2005	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience				
Recombinants	\$374	\$344	9%	14%
Plasma Proteins ¹	192	170	13%	15%
Antibody Therapy	183	89	106%	110%
BioSurgery ²	69	66	5%	8%
Transfusion Therapies	124	133	(7%)	(4%)
Other ³	58	100	(42%)	(39%)
Total BioScience	\$1,000	\$902	11%	15%
Medication Delivery				
IV Therapies ⁴	\$304	\$296	3%	5%
Drug Delivery	195	204	(4%)	(3%)
Infusion Systems	195	230	(15%)	(14%)
Anesthesia	212	231	(8%)	(6%)
Other ⁵	10	17	(41%)	(35%)
Total Medication Delivery	\$916	\$978	(6%)	(4%)
Renal				
PD Therapy	\$388	\$377	3%	6%
HD Therapy	105	126	(17%)	(16%)
Total Renal ⁶	\$493	\$503	(2%)	1%
TOTAL BAXTER	\$2,409	\$2,383	1%	4%

¹ Includes plasma-derived hemophilia (FVII, FVIII, FIX and FEIBA), albumin, and certain other plasma-based products. Sales of Tisseel, sales of plasma to third parties, and contract manufacturing revenues were previously reported in Plasma Proteins, and are now reported in other product lines, as detailed below.*

² Includes sales of Tisseel and FloSeal/CoSeal, which were previously reported in Plasma Proteins and Other, respectively.*

³ Principally includes vaccines and sales of plasma to third parties. The sales of plasma to third parties were previously reported in Plasma Proteins. The prior year sales include contract manufacturing revenues.*

⁴ Principally includes intravenous solutions and nutritional products.

⁵ Principally includes other hospital-distributed products.

⁶ Sales of pharmaceutical and certain other products, which were previously reported in Other, are now reported in PD Therapy.*

* Prior year sales data has been reclassified to reflect the above-mentioned changes.

Baxter International Inc.
Key Product Line Sales -- US/International
Period Ending March 31, 2006

(unaudited)

(\$ in millions)	Q1 2006			Q1 2005			% Growth		
	US	International	Total	US	International	Total	US	International	Total
BioScience									
Recombinants	\$161	\$213	\$374	\$145	\$199	\$344	11%	7%	9%
Plasma Proteins ¹	67	125	192	48	122	170	40%	2%	13%
Antibody Therapy	139	44	183	48	41	89	190%	7%	106%
BioSurgery ²	39	30	69	35	31	66	11%	(3%)	5%
Transfusion Therapies	56	68	124	65	68	133	(14%)	-%	(7%)
Other ³	12	46	58	57	43	100	(79%)	7%	(42%)
Total BioScience	\$474	\$526	\$1,000	\$398	\$504	\$902	19%	4%	11%
Medication Delivery									
IV Therapies ⁴	\$104	\$200	\$304	\$94	\$202	\$296	11%	(1%)	3%
Drug Delivery	125	70	195	139	65	204	(10%)	8%	(4%)
Infusion Systems	124	71	195	155	75	230	(20%)	(5%)	(15%)
Anesthesia	133	79	212	158	73	231	(16%)	8%	(8%)
Other ⁵	5	5	10	6	11	17	(17%)	(55%)	(41%)
Total Medication Delivery	\$491	\$425	\$916	\$552	\$426	\$978	(11%)	-%	(6%)
Renal									
PD Therapy	\$66	\$322	\$388	\$62	\$315	\$377	6%	2%	3%
HD Therapy	28	77	105	32	94	126	(13%)	(18%)	(17%)
Total Renal ⁶	\$94	\$399	\$493	\$94	\$409	\$503	-%	(2%)	(2%)
TOTAL BAXTER	\$1,059	\$1,350	\$2,409	\$1,044	\$1,339	\$2,383	1%	1%	1%

¹ Includes plasma-derived hemophilia (FVII, FVIII, FIX and FEIBA), albumin, and certain other plasma-based products. Sales of Tisseel, sales of plasma to third parties, and contract manufacturing revenues were previously reported in Plasma Proteins, and are now reported in other product lines, as detailed below.*

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