

**BAXTER INTERNATIONAL INC.**  
**Consolidated Statements of Income**  
**Three Months Ended March 31, 2007 and 2006**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

	Three Months Ended March 31,		Change
	2007	2006	
<b>NET SALES</b>	<b>\$2,675</b>	<b>\$2,409</b>	<b>11%</b>
<b>COST OF GOODS SOLD</b>	<b>1,409</b>	<b>1,357</b>	<b>4%</b>
<b>GROSS PROFIT</b>	<b>1,266</b>	<b>1,052</b>	<b>20%</b>
<i>% of Sales</i>	<i>47.3%</i>	<i>43.7%</i>	<i>3.6 pts</i>
<b>MARKETING AND ADMINISTRATIVE EXPENSES</b>	<b>583</b>	<b>526</b>	<b>11%</b>
<i>% of Sales</i>	<i>21.8%</i>	<i>21.8%</i>	<i>0 pts</i>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	<b>159</b>	<b>138</b>	<b>15%</b>
<i>% of Sales</i>	<i>5.9%</i>	<i>5.7%</i>	<i>0.2 pts</i>
<b>NET INTEREST EXPENSE</b>	<b>5</b>	<b>18</b>	<b>(72%)</b>
<b>OTHER (INCOME) EXPENSE, NET (A)</b>	<b>(10)</b>	<b>16</b>	<b>(163%)</b>
<b>PRE-TAX INCOME</b>	<b>529</b>	<b>354</b>	<b>49%</b>
<b>INCOME TAX EXPENSE</b>	<b>126</b>	<b>72</b>	<b>75%</b>
<b>NET INCOME</b>	<b>\$403</b>	<b>\$282</b>	<b>43%</b>
<b>BASIC EPS</b>	<b>\$0.62</b>	<b>\$0.44</b>	<b>41%</b>
<b>DILUTED EPS</b>	<b>\$0.61</b>	<b>\$0.43</b>	<b>42%</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
Basic	650	641	
Diluted	659	648	

(A) Other (Income) Expense, Net in 2007 includes income of \$23 million, reflecting a gain on the sale of the Transfusion Therapies business of \$58 million less related charges of \$35 million. The after-tax impact of these items was \$6 million of income, or \$0.01 per diluted share.

**Baxter International Inc.**  
**Condensed Consolidated Balance Sheets**  
(unaudited)  
(\$ in millions)

	March 31, 2007	December 31, 2006
<b><u>ASSETS</u></b>		
Cash and equivalents	\$2,384	\$2,485
Receivables	1,899	1,838
Inventories	2,119	2,066
Other current assets	572	581
Total current assets	<u>6,974</u>	<u>6,970</u>
Property, plant and equipment, net	4,047	4,229
Other long-term assets	3,462	3,487
Total assets	<u>\$14,483</u>	<u>\$14,686</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
Short-term debt	\$596	\$234
Other current liabilities	3,028	3,376
Long-term debt	2,124	2,567
Other long-term liabilities	2,131	2,237
Shareholders' equity	6,604	6,272
Total liabilities and shareholders' equity	<u>\$14,483</u>	<u>\$14,686</u>

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

<b>Cash Flows from Operations</b>		
(Brackets denote cash outflows)		
	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
Net income	\$403	\$282
Adjustments		
Depreciation and amortization	140	139
Deferred income taxes	(13)	2
Stock compensation	27	18
Other	4	18
Changes in balance sheet items		
Receivables	(98)	38
Inventories	(128)	(63)
Accounts payable and accrued liabilities	(158)	(105)
Restructuring payments	(3)	(19)
Other	41	(5)
<b>Cash flows from operations</b>	<b>\$215</b>	<b>\$305</b>
<b>Changes in Net Debt</b>		
Increase (decrease)		
	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Net debt, beginning of period</b>	<b>\$316</b>	<b>\$2,497</b>
Cash flows from operations	(215)	(305)
Capital expenditures	93	76
Dividends	380	363
Proceeds from sale of Transfusion Therapies business	(421)	-
Issuances of common stock	-	(1,249)
Proceeds from stock issued under employee benefit plans	(201)	(44)
Purchases of treasury stock	270	171
Other, including the effect of exchange rate changes	114	15
<b>Increase (decrease) in net debt</b>	<b>20</b>	<b>(973)</b>
<b>Net debt, March 31</b>	<b>\$336</b>	<b>\$1,524</b>
<b>Key statistics, March 31:</b>		
Days sales outstanding	55.3	54.8
Inventory turns	2.6	2.6

**Baxter International Inc.**  
**Net Sales**  
**Periods Ending March 31, 2007 and 2006**  
**(unaudited)**  
**(\$ in millions)**

	Q1 2007	Q1 2006 <sup>1</sup>	% Growth @ Actual Rates	% Growth @ Constant Rates
<b>BioScience<sup>2</sup></b>				
United States	\$484	\$418	16%	16%
International	588	458	28%	20%
<b>Total</b>	<b>\$1,072</b>	<b>\$876</b>	<b>22%</b>	<b>18%</b>
<b>Medication Delivery</b>				
United States	\$515	\$491	5%	5%
International	475	425	12%	6%
<b>Total</b>	<b>\$990</b>	<b>\$916</b>	<b>8%</b>	<b>6%</b>
<b>Renal</b>				
United States	\$97	\$94	3%	3%
International	428	399	7%	5%
<b>Total</b>	<b>\$525</b>	<b>\$493</b>	<b>6%</b>	<b>4%</b>
<b>Baxter excluding Transfusion Therapies</b>				
United States	\$1,096	\$1,003	9%	9%
International	1,491	1,282	16%	11%
<b>Total</b>	<b>\$2,587</b>	<b>\$2,285</b>	<b>13%</b>	<b>10%</b>
<b>Transfusion Therapies<sup>2</sup></b>				
United States	\$43	\$56	(23%)	(23%)
International	45	68	(34%)	(38%)
<b>Total</b>	<b>\$88</b>	<b>\$124</b>	<b>(29%)</b>	<b>(31%)</b>
<b>Baxter International Inc.</b>				
United States	\$1,139	\$1,059	8%	8%
International	1,536	1,350	14%	8%
<b>Total</b>	<b>\$2,675</b>	<b>\$2,409</b>	<b>11%</b>	<b>8%</b>

<sup>1</sup> Prior year sales data has been reclassified to reflect the change that is described in note 2 below.

<sup>2</sup> Sales of Transfusion Therapies (TT) products were previously reported in BioScience. Due to Baxter's expected significant continuing cash flows associated with this business, Baxter continued to include the results of operations of TT in the company's results of operations through the February 28, 2007 sale date. The amounts reported in Transfusion Therapies reflect sales of TT products until the completion of the sale of the TT business, as well as revenues associated with manufacturing, distribution and other services provided by the company to the buyer post-divestiture.

**Baxter International Inc.**  
**Key Product Line Sales**  
**Periods Ending March 31, 2007 and 2006**  
**(unaudited)**  
**(\$ in millions)**

	Q1 2007	Q1 2006 <sup>1</sup>	% Growth @ Actual Rates	% Growth @ Constant Rates
<b>BioScience</b>				
Recombinants <sup>2</sup>	\$388	\$335	16%	11%
Plasma Proteins <sup>3</sup>	225	192	17%	15%
Antibody Therapy	222	183	21%	18%
Regenerative Medicine <sup>4</sup>	82	69	19%	14%
Other <sup>5</sup>	155	97	60%	48%
<b>Total BioScience<sup>6</sup></b>	<b>\$1,072</b>	<b>\$876</b>	<b>22%</b>	<b>18%</b>
<b>Medication Delivery</b>				
IV Therapies <sup>7</sup>	\$320	\$304	5%	2%
Global Injectables <sup>8</sup>	361	353	2%	0%
Infusion Systems	209	195	7%	6%
Anesthesia <sup>9</sup>	89	54	65%	63%
Other <sup>10</sup>	11	10	10%	0%
<b>Total Medication Delivery</b>	<b>\$990</b>	<b>\$916</b>	<b>8%</b>	<b>6%</b>
<b>Renal</b>				
PD Therapy	\$419	\$388	8%	6%
HD Therapy	106	105	1%	(1%)
<b>Total Renal</b>	<b>\$525</b>	<b>\$493</b>	<b>6%</b>	<b>4%</b>
<b>Baxter excluding Transfusion Therapies</b>	<b>\$2,587</b>	<b>\$2,285</b>	<b>13%</b>	<b>10%</b>
<b>Transfusion Therapies<sup>11</sup></b>	<b>\$88</b>	<b>\$124</b>	<b>(29%)</b>	<b>(31%)</b>
<b>TOTAL BAXTER</b>	<b>\$2,675</b>	<b>\$2,409</b>	<b>11%</b>	<b>8%</b>

<sup>1</sup> Prior year sales data has been reclassified to reflect the changes that are described in notes 2, 5, 6, 8, 9 and 11 below.

<sup>2</sup> Includes sales of recombinant FVIII products (ADVATE and RECOMBINATE). Sales of recombinant FIX (BeneFIX) were previously reported in Recombinants and are now reported in Other, as detailed below.

<sup>3</sup> Includes plasma-derived hemophilia (FVII, FVIII, FIX and FEIBA), albumin, and certain other plasma-based products.

<sup>4</sup> Previously referred to as BioSurgery.

<sup>5</sup> Principally includes vaccines, sales of plasma to third parties, and recombinant FIX (BeneFIX). Sales of recombinant FIX were previously reported in Recombinants.

<sup>6</sup> BioScience sales have been reclassified to reflect the change described in Note 11.

<sup>7</sup> Principally includes intravenous solutions and nutritional products.

<sup>8</sup> Principally includes sales related to the pharma partnering business, enhanced packaging, premix drugs and generic injectables. Generic injectables were previously reported in Anesthesia.

<sup>9</sup> Principally includes proprietary inhaled anesthetics and other anesthesia products. Sales of generic injectables were previously reported in Anesthesia and are now reported in Global Injectables.

<sup>10</sup> Principally includes other hospital-distributed products.

<sup>11</sup> Sales of Transfusion Therapies (TT) products were previously reported in BioScience. Due to Baxter's expected significant continuing cash flows associated with this business, Baxter continued to include the results of operations of TT in the company's results of operations through the February 28, 2007 sale date. The amounts reported above reflect sales of TT products until the completion of the sale of the TT business, as well as revenues associated with manufacturing, distribution and other services provided by the company to the buyer post-divestiture.

**Baxter International Inc.**  
**Key Product Line Sales -- US/International**  
**Periods Ending March 31, 2007 and 2006**  
**(unaudited)**  
**(\$ in millions)**

	Q1 2007			Q1 2006 <sup>1</sup>			% Growth		
	US	International	Total	US	International	Total	US	International	Total
<b>BioScience</b>									
Recombinants <sup>2</sup>	\$179	\$209	\$388	\$161	\$174	\$335	11%	20%	16%
Plasma Proteins <sup>3</sup>	88	137	225	67	125	192	31%	10%	17%
Antibody Therapy	159	63	222	139	44	183	14%	43%	21%
Regenerative Medicine <sup>4</sup>	43	39	82	39	30	69	10%	30%	19%
Other <sup>5</sup>	15	140	155	12	85	97	25%	65%	60%
<b>Total BioScience <sup>6</sup></b>	<b>\$484</b>	<b>\$588</b>	<b>\$1,072</b>	<b>\$418</b>	<b>\$458</b>	<b>\$876</b>	<b>16%</b>	<b>28%</b>	<b>22%</b>
<b>Medication Delivery</b>									
IV Therapies <sup>7</sup>	\$101	\$219	\$320	\$104	\$200	\$304	(3%)	10%	5%
Global Injectables <sup>8</sup>	227	134	361	225	128	353	1%	5%	2%
Infusion Systems	122	87	209	124	71	195	(2%)	23%	7%
Anesthesia <sup>9</sup>	60	29	89	33	21	54	82%	38%	65%
Other <sup>10</sup>	5	6	11	5	5	10	0%	20%	10%
<b>Total Medication Delivery</b>	<b>\$515</b>	<b>\$475</b>	<b>\$990</b>	<b>\$491</b>	<b>\$425</b>	<b>\$916</b>	<b>5%</b>	<b>12%</b>	<b>8%</b>
<b>Renal</b>									
PD Therapy	\$69	\$350	\$419	\$66	\$322	\$388	5%	9%	8%
HD Therapy	28	78	106	28	77	105	0%	1%	1%
<b>Total Renal</b>	<b>\$97</b>	<b>\$428</b>	<b>\$525</b>	<b>\$94</b>	<b>\$399</b>	<b>\$493</b>	<b>3%</b>	<b>7%</b>	<b>6%</b>
<b>Baxter excluding Transfusion Therapies</b>	<b>\$1,096</b>	<b>\$1,491</b>	<b>\$2,587</b>	<b>\$1,003</b>	<b>\$1,282</b>	<b>\$2,285</b>	<b>9%</b>	<b>16%</b>	<b>13%</b>
<b>Transfusion Therapies <sup>11</sup></b>	<b>\$43</b>	<b>\$45</b>	<b>\$88</b>	<b>\$56</b>	<b>\$68</b>	<b>\$124</b>	<b>(23%)</b>	<b>(34%)</b>	<b>(29%)</b>
<b>TOTAL BAXTER</b>	<b>\$1,139</b>	<b>\$1,536</b>	<b>\$2,675</b>	<b>\$1,059</b>	<b>\$1,350</b>	<b>\$2,409</b>	<b>8%</b>	<b>14%</b>	<b>11%</b>

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