

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Three Months Ended March 31, 2008 and 2007
(unaudited)
(in millions, except per share and percentage data)

	Three Months Ended March 31,		
	2008	2007	Change
NET SALES	\$2,877	\$2,675	8%
COST OF GOODS SOLD	1,497 ¹	1,409	6%
GROSS PROFIT	1,380	1,266	9%
<i>% of Sales</i>	<i>48.0%</i>	47.3%	0.7 pts
MARKETING AND ADMINISTRATIVE EXPENSES	640	583	10%
<i>% of Sales</i>	<i>22.2%</i>	21.8%	0.4 pts
RESEARCH AND DEVELOPMENT EXPENSES	190	159	19%
<i>% of Sales</i>	<i>6.6%</i>	5.9%	0.7 pts
NET INTEREST EXPENSE	17	5	240%
OTHER INCOME, NET	(1) ²	(10) ²	(90%)
PRE-TAX INCOME	534	529	1%
INCOME TAX EXPENSE	105	126	(17%)
<i>% of Pre-Tax Income</i>	<i>19.7%</i>	23.8%	(4.1 pts)
NET INCOME	\$429	\$403	6%
BASIC EPS	\$0.68	\$0.62	10%
DILUTED EPS	\$0.67	\$0.61	10%
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	632	650	
Diluted	644	659	
ADJUSTED PRE-TAX INCOME (excluding specified item)	\$587 ³	\$529	11%
ADJUSTED NET INCOME (excluding specified item)	\$474 ³	\$403	18%
ADJUSTED DILUTED EPS (excluding specified item)	\$0.74 ³	\$0.61	21%

¹ Cost of Goods Sold in 2008 included charges of \$53 million (\$45 million, or \$0.07 per diluted share, on an after-tax basis) related to COLLEAGUE infusion pumps and \$19 million (\$11 million, or \$0.02 per diluted share, on an after-tax basis) related to the company's recall of heparin sodium injection vial products in the United States.

² Other Income, Net in 2008 included income of \$16 million (\$10 million, or \$0.02 per diluted share, on an after-tax basis) due to the finalization of the net assets transferred in the divestiture of the Transfusion Therapies (TT) business. Other Income, Net in 2007 included income of \$23 million, reflecting a gain on the sale of the TT business of \$58 million less related charges of \$35 million. The after-tax impact of the gain and related charges in 2007 was \$6 million of income, or \$0.01 per diluted share.

³ Refer to page 7 for a description of the adjustment and a reconciliation to GAAP (generally accepted accounting principles) measures.

Non-GAAP Financial Measures: The non-GAAP financial measures contained in this press release (pre-tax income, net income 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 business unit performance, and in evaluating management performance. Refer to the company's filing on Form 8-K of today's date for additional information.

BAXTER INTERNATIONAL INC.
Note to Consolidated Statement of Income
Three Months Ended March 31, 2008
Description of Adjustment and Reconciliation of GAAP to Non-GAAP Measures
(unaudited)
(in millions, except per share and percentage data)

The company's GAAP results for the three months ended March 31, 2008 included a charge related to COLLEAGUE infusion pumps, which impacted the results as follows:

	Pre-tax Income	Income Tax Expense	Net Income	Diluted EPS
GAAP	\$534	\$105	\$429	\$0.67
COLLEAGUE infusion pump charge (A)	53	8	45	0.07
Excluding specified item	\$587	\$113	\$474	\$0.74
Effective tax rate		19.3%		

- (A) Included in the Cost of Goods Sold line in the accompanying consolidated statement of income. Excluding this charge, adjusted gross profit was \$1,433 and the adjusted gross profit percentage was 49.8%.

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

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
<u>Assets</u>		
Cash and equivalents	\$1,736	\$2,539
Receivables	2,096	2,026
Inventories	2,536	2,334
Other current assets	645	656
Total current assets	<u>7,013</u>	<u>7,555</u>
Property, plant and equipment, net	4,633	4,487
Other long-term assets	3,326	3,252
Total assets	<u>\$14,972</u>	<u>\$15,294</u>
<u>Liabilities and Shareholders' Equity</u>		
Short-term debt	\$141	\$425
Other current liabilities	3,095	3,387
Long-term debt	2,731	2,664
Other long-term liabilities	2,008	1,902
Shareholders' equity	6,997	6,916
Total liabilities and shareholders' equity	<u>\$14,972</u>	<u>\$15,294</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,	
	2008	2007
Net income	\$429	\$403
Adjustments		
Depreciation and amortization	156	140
Deferred income taxes	61	(13)
Stock compensation	38	27
Infusion pump charge	53	-
Other	9	4
Changes in balance sheet items		
Receivables	18	(98)
Inventories	(105)	(128)
Accounts payable and accrued liabilities	(341)	(158)
Restructuring payments	(12)	(3)
Other	56	41
Cash flows from operations	\$362	\$215
Changes in Net Debt		
Increase (decrease)		
	Three Months Ended March 31,	
	2008	2007
Net debt, beginning of period	\$550	\$316
Cash flows from operations	(362)	(215)
Capital expenditures	157	93
Dividends	138	380
Proceeds from sale of Transfusion Therapies business	-	(421)
Proceeds from stock issued under employee benefit plans	(112)	(201)
Purchases of treasury stock	545	270
Acquisitions of and investments in businesses and technologies	61	31
Payments relating to settlements of cross-currency swaps	169	147
Other, including the effect of exchange rate changes	(10)	(64)
Increase in net debt	586	20
Net debt, March 31	\$1,136	\$336
Key statistics, March 31:		
Days sales outstanding	56.3	55.3
Inventory turns	2.3	2.6

BAXTER INTERNATIONAL INC.
Net Sales
Periods Ending March 31, 2008 and 2007
(unaudited)
(\$ in millions)

	Q1 2008	Q1 2007	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience ¹				
United States	\$547	\$484	13%	13%
International	663	588	13%	3%
Total	\$1,210	\$1,072	13%	8%
Medication Delivery				
United States	\$503	\$515	(2%)	(2%)
International	562	475	18%	8%
Total	\$1,065	\$990	8%	2%
Renal				
United States	\$98	\$97	1%	1%
International	460	428	7%	(2%)
Total	\$558	\$525	6%	(2%)
Baxter excluding Transfusion Therapies				
United States	\$1,148	\$1,096	5%	5%
International	1,685	1,491	13%	3%
Total	\$2,833	\$2,587	10%	4%
Transfusion Therapies ²				
United States	\$31	\$43	(28%)	(28%)
International	13	45	(71%)	(73%)
Total	\$44	\$88	(50%)	(51%)
Baxter International Inc.				
United States	\$1,179	\$1,139	4%	4%
International	1,698	1,536	11%	1%
Total	\$2,877	\$2,675	8%	2%

¹ Prior year BioScience sales data has been reclassified as described in Note 2.

² The Transfusion Therapies (TT) business was sold on February 28, 2007. The results of operations of the TT business were previously reported in the BioScience business. The TT totals above include sales of TT products through the date of divestiture, as well as revenues associated with manufacturing, distribution and other services provided by the company to the buyer of the TT business post-divestiture.

BAXTER INTERNATIONAL INC.
Key Product Line Sales
Periods Ending March 31, 2008 and 2007
(unaudited)
(\$ in millions)

	Q1 2008	Q1 2007	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience				
Recombinants	\$436	\$388	12%	8%
Plasma Proteins	260	225	16%	10%
Antibody Therapy	286	222	29%	25%
Regenerative Medicine ¹	94	82	15%	10%
Other ²	134	155	(14%)	(22%)
Total BioScience ³	\$1,210	\$1,072	13%	8%
Medication Delivery				
IV Therapies	\$371	\$320	16%	8%
Global Injectables	368	361	2%	(2%)
Infusion Systems	220	209	5%	1%
Anesthesia	99	89	11%	7%
Other	7	11	(36%)	(36%)
Total Medication Delivery	\$1,065	\$990	8%	2%
Renal				
PD Therapy	\$445	\$419	6%	(1%)
HD Therapy	113	106	7%	(2%)
Total Renal	\$558	\$525	6%	(2%)
Baxter excluding Transfusion Therapies	\$2,833	\$2,587	10%	4%
Transfusion Therapies ⁴	\$44	\$88	(50%)	(51%)
TOTAL BAXTER	\$2,877	\$2,675	8%	2%

¹ Previously referred to as BioSurgery.

² Principally includes vaccines, sales of plasma to third parties, and recombinant FIX (BeneFIX). Sales of BeneFIX ceased as of June 30, 2007.

³ Prior year BioScience sales data has been reclassified as described in Note 4.

⁴ The TT business was sold on February 28, 2007. The results of operations of the TT business were previously reported in the BioScience business. The TT totals above include sales of TT products through the date of divestiture, as well as revenues associated with manufacturing, distribution and other services provided by the company to the buyer of the TT business post-divestiture.

BAXTER INTERNATIONAL INC.
Key Product Line Sales by US and International
Periods Ending March 31, 2008 and 2007
(unaudited)
(\$ in millions)

	Q1 2008			Q1 2007			% Growth		
	US	International	Total	US	International	Total	US	International	Total
BioScience									
Recombinants	\$199	\$237	\$436	\$179	\$209	\$388	11%	13%	12%
Plasma Proteins	92	168	260	88	137	225	5%	23%	16%
Antibody Therapy	199	87	286	159	63	222	25%	38%	29%
Regenerative Medicine ¹	47	47	94	43	39	82	9%	21%	15%
Other ²	10	124	134	15	140	155	(33%)	(11%)	(14%)
Total BioScience ³	\$547	\$663	\$1,210	\$484	\$588	\$1,072	13%	13%	13%
Medication Delivery									
IV Therapies	\$111	\$260	\$371	\$101	\$219	\$320	10%	19%	16%
Global Injectables	200	168	368	227	134	361	(12%)	25%	2%
Infusion Systems	131	89	220	122	87	209	7%	2%	5%
Anesthesia	58	41	99	60	29	89	(3%)	41%	11%
Other	3	4	7	5	6	11	(40%)	(33%)	(36%)
Total Medication Delivery	\$503	\$562	\$1,065	\$515	\$475	\$990	(2%)	18%	8%
Renal									
PD Therapy	\$71	\$374	\$445	\$69	\$350	\$419	3%	7%	6%
HD Therapy	27	86	113	28	78	106	(4%)	10%	7%
Total Renal	\$98	\$460	\$558	\$97	\$428	\$525	1%	7%	6%
Baxter excluding Transfusion Therapies	\$1,148	\$1,685	\$2,833	\$1,096	\$1,491	\$2,587	5%	13%	10%
Transfusion Therapies ⁴	\$31	\$13	\$44	\$43	\$45	\$88	(28%)	(71%)	(50%)
TOTAL BAXTER	\$1,179	\$1,698	\$2,877	\$1,139	\$1,536	\$2,675	4%	11%	8%

¹ Previously referred to as BioSurgery.

² Principally includes vaccines, sales of plasma to third parties, and recombinant FIX (BeneFIX). Sales of BeneFIX ceased as of June 30, 2007.

³ Prior year BioScience sales data has been reclassified as described in Note 4.

⁴ The TT business was sold on February 28, 2007. The results of operations of the TT business were previously reported in the BioScience business. The TT totals above include sales of TT products through the date of divestiture, as well as revenues associated with manufacturing, distribution and other services provided by the company to the buyer of the TT business post-divestiture.