

**BAXTER INTERNATIONAL INC.**  
**Consolidated Statements of Income**  
**Three Months Ended June 30, 2008 and 2007**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

	Three Months Ended June 30,		
	2008	2007	Change
<b>NET SALES</b>	<b>\$3,189</b>	<b>\$2,829</b>	<b>13%</b>
<b>COST OF GOODS SOLD</b>	<b>1,562</b>	<b>1,437</b>	<b>9%</b>
<b>GROSS PROFIT</b>	<b>1,627</b>	<b>1,392</b>	<b>17%</b>
<i>% of Sales</i>	<i>51.0%</i>	<i>49.2%</i>	<i>1.8 pts</i>
<b>MARKETING AND ADMINISTRATIVE EXPENSES</b>	<b>703</b>	<b>621</b>	<b>13%</b>
<i>% of Sales</i>	<i>22.0%</i>	<i>22.0%</i>	<i>0 pts</i>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	<b>222</b>	<b>177</b>	<b>25%</b>
<i>% of Sales</i>	<i>7.0%</i>	<i>6.3%</i>	<i>0.7 pts</i>
<b>RESTRUCTURING CHARGE</b>	<b>-</b>	<b>70 <sup>1</sup></b>	<b>(100%)</b>
<b>NET INTEREST EXPENSE (INCOME)</b>	<b>25</b>	<b>(1)</b>	<b>N/M</b>
<b>OTHER EXPENSE, NET</b>	<b>5</b>	<b>17</b>	<b>(71%)</b>
<b>PRE-TAX INCOME</b>	<b>672</b>	<b>508</b>	<b>32%</b>
<b>INCOME TAX EXPENSE</b>	<b>128</b>	<b>77 <sup>2</sup></b>	<b>66%</b>
<i>% of Pre-Tax Income</i>	<i>19.0%</i>	<i>15.2%</i>	<i>3.8 pts</i>
<b>NET INCOME</b>	<b>\$544</b>	<b>\$431</b>	<b>26%</b>
<b>BASIC EPS</b>	<b>\$0.87</b>	<b>\$0.66</b>	<b>32%</b>
<b>DILUTED EPS</b>	<b>\$0.85</b>	<b>\$0.65</b>	<b>31%</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
Basic	626	650	
Diluted	638	661	
<b>ADJUSTED PRE-TAX INCOME (excluding specified item)</b>	<b>\$672</b>	<b>\$578 <sup>3</sup></b>	<b>16%</b>
<b>ADJUSTED NET INCOME (excluding specified item)</b>	<b>\$544</b>	<b>\$477 <sup>3</sup></b>	<b>14%</b>
<b>ADJUSTED DILUTED EPS (excluding specified item)</b>	<b>\$0.85</b>	<b>\$0.72 <sup>3</sup></b>	<b>18%</b>

**1** A restructuring charge of \$70 million (\$46 million, or \$0.07 per share, on an after-tax basis) in 2007 was primarily for costs and asset impairments associated with the consolidation of certain commercial and manufacturing operations outside of the United States.

**2** Income tax expense in 2007 included a \$15 million benefit related to an audit settlement and the extension of tax incentives in jurisdictions outside the United States. The effective income tax rate in 2007 was also favorably impacted by the restructuring charge described in Note 1 above.

**3** Refer to page 6 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 June 30, 2007**  
**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 June 30, 2007 included a restructuring charge, primarily for costs and asset impairments associated with the consolidation of certain commercial and manufacturing operations outside of the United States, which impacted the GAAP results as follows:

	<b>Pre-tax Income</b>	<b>Income Tax Expense</b>	<b>Net Income</b>	<b>Diluted EPS</b>
<b>GAAP</b>	<b>\$508</b>	<b>\$77</b>	<b>\$431</b>	<b>\$0.65</b>
Restructuring charge	70	24	46	0.07
<b>Excluding specified item</b>	<b>\$578</b>	<b>\$101</b>	<b>\$477</b>	<b>\$0.72</b>
<b>Effective tax rate</b>		<b>17.5%</b>		

**BAXTER INTERNATIONAL INC.**  
**Consolidated Statements of Income**  
**Six Months Ended June 30, 2008 and 2007**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

	Six Months Ended June 30,		
	2008	2007	Change
<b>NET SALES</b>	<b>\$6,066</b>	<b>\$5,504</b>	<b>10%</b>
<b>COST OF GOODS SOLD</b>	<b>3,059 <sup>1</sup></b>	<b>2,846</b>	<b>7%</b>
<b>GROSS PROFIT</b>	<b>3,007</b>	<b>2,658</b>	<b>13%</b>
<i>% of Sales</i>	<i>49.6%</i>	<i>48.3%</i>	<i>1.3 pts</i>
<b>MARKETING AND ADMINISTRATIVE EXPENSES</b>	<b>1,343</b>	<b>1,204</b>	<b>12%</b>
<i>% of Sales</i>	<i>22.1%</i>	<i>21.9%</i>	<i>0.2 pts</i>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	<b>412</b>	<b>336</b>	<b>23%</b>
<i>% of Sales</i>	<i>6.8%</i>	<i>6.1%</i>	<i>0.7 pts</i>
<b>RESTRUCTURING CHARGE</b>	<b>-</b>	<b>70 <sup>2</sup></b>	<b>(100%)</b>
<b>NET INTEREST EXPENSE</b>	<b>42</b>	<b>4</b>	<b>N/M</b>
<b>OTHER EXPENSE, NET</b>	<b>4</b>	<b>7</b>	<b>(43%)</b>
<b>PRE-TAX INCOME</b>	<b>1,206</b>	<b>1,037</b>	<b>16%</b>
<b>INCOME TAX EXPENSE</b>	<b>233</b>	<b>203</b>	<b>15%</b>
<i>% of Pre-Tax Income</i>	<i>19.3%</i>	<i>19.6%</i>	<i>(0.3 pts)</i>
<b>NET INCOME</b>	<b>\$973</b>	<b>\$834</b>	<b>17%</b>
<b>BASIC EPS</b>	<b>\$1.55</b>	<b>\$1.28</b>	<b>21%</b>
<b>DILUTED EPS</b>	<b>\$1.52</b>	<b>\$1.26</b>	<b>21%</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
Basic	629	650	
Diluted	641	660	
<b>ADJUSTED PRE-TAX INCOME (excluding specified items)</b>	<b>\$1,259 <sup>3</sup></b>	<b>\$1,107 <sup>3</sup></b>	<b>14%</b>
<b>ADJUSTED NET INCOME (excluding specified items)</b>	<b>\$1,018 <sup>3</sup></b>	<b>\$880 <sup>3</sup></b>	<b>16%</b>
<b>ADJUSTED DILUTED EPS (excluding specified items)</b>	<b>\$1.59 <sup>3</sup></b>	<b>\$1.33 <sup>3</sup></b>	<b>20%</b>

**1** Cost of goods sold in the first quarter of 2008 included a charge of \$53 million (\$45 million, or \$0.07 per share, on an after-tax basis) related to COLLEAGUE infusion pumps.

**2** A restructuring charge of \$70 million (\$46 million, or \$0.07 per share, on an after-tax basis) in 2007 was primarily for costs and asset impairments associated with the consolidation of certain commercial and manufacturing operations outside of the United States.

**3** Refer to page 8 for a description of the adjustments and a reconciliation to GAAP 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.**  
**Notes to Consolidated Statements of Income**  
**Six Months Ended June 30, 2008 and 2007**  
**Description of Adjustments and Reconciliation of GAAP to Non-GAAP Measures**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

**2008 description of adjustment and reconciliation of GAAP to Non-GAAP**

The company's GAAP results for the six months ended June 30, 2008 included a first quarter charge related to COLLEAGUE infusion pumps, which impacted the results as follows:

	Pre-tax Income	Income Tax Expense	Net Income	Diluted EPS
<b>GAAP</b>	<b>\$1,206</b>	<b>\$233</b>	<b>\$973</b>	<b>\$1.52</b>
COLLEAGUE infusion pump charge (A)	53	8	45	0.07
<b>Excluding specified item</b>	<b>\$1,259</b>	<b>\$241</b>	<b>\$1,018</b>	<b>\$1.59</b>
<b>Effective tax rate</b>		<b>19.1%</b>		

- (A) Included in the Cost of Goods Sold line in the accompanying consolidated statement of income. Excluding this charge, adjusted gross profit was \$3,060 and the adjusted gross profit percentage was 50.4%.

**2007 description of adjustment and reconciliation of GAAP to Non-GAAP**

The company's GAAP results for the six months ended June 30, 2007 included a restructuring charge, primarily for costs and asset impairments associated with the consolidation of certain commercial and manufacturing operations outside of the United States, which impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income	Diluted EPS
<b>GAAP</b>	<b>\$1,037</b>	<b>\$203</b>	<b>\$834</b>	<b>\$1.26</b>
Restructuring charge	70	24	46	0.07
<b>Excluding specified item</b>	<b>\$1,107</b>	<b>\$227</b>	<b>\$880</b>	<b>\$1.33</b>
<b>Effective tax rate</b>		<b>20.5%</b>		

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

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
<b><u>Assets</u></b>		
Cash and equivalents	\$2,147	\$2,539
Receivables	2,217	2,026
Inventories	2,571	2,334
Other current assets	624	656
Total current assets	<u>7,559</u>	<u>7,555</u>
Property, plant and equipment, net	4,680	4,487
Other long-term assets	3,231	3,252
Total assets	<u>\$15,470</u>	<u>\$15,294</u>
<b><u>Liabilities and Shareholders' Equity</u></b>		
Short-term debt	\$62	\$425
Other current liabilities	3,331	3,387
Long-term debt	3,172	2,664
Other long-term liabilities	1,686	1,902
Shareholders' equity	7,219	6,916
Total liabilities and shareholders' equity	<u>\$15,470</u>	<u>\$15,294</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 June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Net income	\$544	\$431	\$973	\$834
Adjustments				
Depreciation and amortization	160	147	316	287
Deferred income taxes	49	31	110	18
Stock compensation	35	36	73	63
Restructuring and infusion pump charges	-	70	53	70
Other	14	33	23	37
Changes in balance sheet items				
Receivables	(111)	(56)	(93)	(154)
Inventories	(50)	(42)	(155)	(170)
Accounts payable and accrued liabilities	87	67	(254)	(91)
Restructuring payments	(14)	(3)	(26)	(6)
Other	6	17	62	58
<b>Cash flows from operations</b>	<b>\$720</b>	<b>\$731</b>	<b>\$1,082</b>	<b>\$946</b>
<b>Changes in Net Debt</b>				
Increase (decrease)				
	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Net debt, beginning of period</b>	<b>\$1,136</b>	<b>\$336</b>	<b>\$550</b>	<b>\$316</b>
Cash flows from operations	(720)	(731)	(1,082)	(946)
Capital expenditures	207	165	364	258
Dividends	137	109	275	489
Proceeds from sale of Transfusion Therapies business	-	-	-	(421)
Proceeds from stock issued under employee benefit plans	(133)	(227)	(245)	(428)
Purchases of treasury stock	388	544	933	814
Acquisitions of and investments in businesses and technologies	-	11	61	43
Payments relating to settlements of cross-currency swaps	132	-	301	147
Other, including the effect of exchange rate changes	(60)	24	(70)	(41)
<b>Increase (decrease) in net debt</b>	<b>(49)</b>	<b>(105)</b>	<b>537</b>	<b>(85)</b>
<b>Net debt, June 30</b>	<b>\$1,087</b>	<b>\$231</b>	<b>\$1,087</b>	<b>\$231</b>
<b>Key statistics, June 30:</b>				
Days sales outstanding	56.8	56.0	56.8	56.0
Inventory turns	2.3	2.6	2.3	2.6

**Baxter International Inc.**  
**Net Sales**  
**Periods Ending June 30, 2008 and 2007**  
**(unaudited)**  
**(\$ in millions)**

	Q2 2008	Q2 2007	% Growth @ Actual Rates	% Growth @ Constant Rates	YTD 2008	YTD 2007	% Growth @ Actual Rates	% Growth @ Constant Rates
<b>BioScience <sup>1</sup></b>								
United States	\$590	\$532	11%	11%	\$1,137	\$1,016	12%	12%
International	795	658	21%	6%	1,458	1,246	17%	5%
<b>Total</b>	<b>\$1,385</b>	<b>\$1,190</b>	<b>16%</b>	<b>8%</b>	<b>\$2,595</b>	<b>\$2,262</b>	<b>15%</b>	<b>8%</b>
<b>Medication Delivery</b>								
United States	\$525	\$535	(2%)	(2%)	\$1,028	\$1,050	(2%)	(2%)
International	639	504	27%	13%	1,201	979	23%	10%
<b>Total</b>	<b>\$1,164</b>	<b>\$1,039</b>	<b>12%</b>	<b>5%</b>	<b>\$2,229</b>	<b>\$2,029</b>	<b>10%</b>	<b>4%</b>
<b>Renal</b>								
United States	\$97	\$95	2%	2%	\$195	\$192	2%	2%
International	501	458	9%	(2%)	961	886	8%	(2%)
<b>Total</b>	<b>\$598</b>	<b>\$553</b>	<b>8%</b>	<b>(1%)</b>	<b>\$1,156</b>	<b>\$1,078</b>	<b>7%</b>	<b>(1%)</b>
<b>Baxter excluding Transfusion Therapies</b>								
United States	\$1,212	\$1,162	4%	4%	\$2,360	\$2,258	5%	5%
International	1,935	1,620	19%	6%	3,620	3,111	16%	5%
<b>Total</b>	<b>\$3,147</b>	<b>\$2,782</b>	<b>13%</b>	<b>5%</b>	<b>\$5,980</b>	<b>\$5,369</b>	<b>11%</b>	<b>5%</b>
<b>Transfusion Therapies <sup>1</sup></b>								
United States	\$29	\$34	(15%)	(15%)	\$60	\$77	(22%)	(22%)
International	13	13	0%	(15%)	26	58	(55%)	(60%)
<b>Total</b>	<b>\$42</b>	<b>\$47</b>	<b>(11%)</b>	<b>(15%)</b>	<b>\$86</b>	<b>\$135</b>	<b>(36%)</b>	<b>(39%)</b>
<b>Baxter International Inc.</b>								
United States	\$1,241	\$1,196	4%	4%	\$2,420	\$2,335	4%	4%
International	1,948	1,633	19%	6%	3,646	3,169	15%	3%
<b>Total</b>	<b>\$3,189</b>	<b>\$2,829</b>	<b>13%</b>	<b>5%</b>	<b>\$6,066</b>	<b>\$5,504</b>	<b>10%</b>	<b>3%</b>

<sup>1</sup> The results of operations of the Transfusion Therapies (TT) business were previously reported in the BioScience business. The TT business was sold on February 28, 2007. 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 June 30, 2008 and 2007**  
**(unaudited)**  
**(\$ in millions)**

	Q2 2008	Q2 2007	% Growth @ Actual Rates	% Growth @ Constant Rates	YTD 2008	YTD 2007	% Growth @ Actual Rates	% Growth @ Constant Rates
<b>BioScience</b>								
Recombinants	\$508	\$431	18%	10%	\$944	\$819	15%	9%
Plasma Proteins	291	243	20%	12%	551	468	18%	11%
Antibody Therapy	315	238	32%	27%	601	460	31%	26%
Regenerative Medicine <sup>1</sup>	109	87	25%	17%	203	169	20%	14%
Other <sup>2</sup>	162	191	(15%)	(27%)	296	346	(14%)	(25%)
<b>Total BioScience <sup>3</sup></b>	<b>\$1,385</b>	<b>\$1,190</b>	<b>16%</b>	<b>8%</b>	<b>\$2,595</b>	<b>\$2,262</b>	<b>15%</b>	<b>8%</b>
<b>Medication Delivery</b>								
IV Therapies	\$408	\$346	18%	8%	\$779	\$666	17%	8%
Global Injectables	393	381	3%	(2%)	761	742	3%	(2%)
Infusion Systems	229	208	10%	5%	449	417	8%	3%
Anesthesia	122	96	27%	22%	221	185	19%	15%
Other	12	8	50%	38%	19	19	0%	(5%)
<b>Total Medication Delivery</b>	<b>\$1,164</b>	<b>\$1,039</b>	<b>12%</b>	<b>5%</b>	<b>\$2,229</b>	<b>\$2,029</b>	<b>10%</b>	<b>4%</b>
<b>Renal</b>								
PD Therapy	\$479	\$443	8%	(1%)	\$924	\$862	7%	(1%)
HD Therapy	119	110	8%	(2%)	232	216	7%	(2%)
<b>Total Renal</b>	<b>\$598</b>	<b>\$553</b>	<b>8%</b>	<b>(1%)</b>	<b>\$1,156</b>	<b>\$1,078</b>	<b>7%</b>	<b>(1%)</b>
<b>Baxter excluding Transfusion Therapies</b>	<b>\$3,147</b>	<b>\$2,782</b>	<b>13%</b>	<b>5%</b>	<b>\$5,980</b>	<b>\$5,369</b>	<b>11%</b>	<b>5%</b>
<b>Transfusion Therapies <sup>3</sup></b>	<b>\$42</b>	<b>\$47</b>	<b>(11%)</b>	<b>(15%)</b>	<b>\$86</b>	<b>\$135</b>	<b>(36%)</b>	<b>(39%)</b>
<b>TOTAL BAXTER</b>	<b>\$3,189</b>	<b>\$2,829</b>	<b>13%</b>	<b>5%</b>	<b>\$6,066</b>	<b>\$5,504</b>	<b>10%</b>	<b>3%</b>

<sup>1</sup> Previously referred to as BioSurgery.

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

<sup>3</sup> The results of operations of the TT business were previously reported in the BioScience business. The TT business was sold on February 28, 2007. 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**  
**Three-Month Periods Ending June 30, 2008 and 2007**  
**(unaudited)**  
**(\$ in millions)**

	Q2 2008			Q2 2007			% Growth @ Actual Rates		
	US	International	Total	US	International	Total	US	International	Total
<b>BioScience</b>									
Recombinants	\$206	\$302	\$508	\$198	\$233	\$431	4%	30%	18%
Plasma Proteins	97	194	291	96	147	243	1%	32%	20%
Antibody Therapy	220	95	315	176	62	238	25%	53%	32%
Regenerative Medicine <sup>1</sup>	55	54	109	46	41	87	20%	32%	25%
Other <sup>2</sup>	12	150	162	16	175	191	(25%)	(14%)	(15%)
<b>Total BioScience <sup>3</sup></b>	<b>\$590</b>	<b>\$795</b>	<b>\$1,385</b>	<b>\$532</b>	<b>\$658</b>	<b>\$1,190</b>	<b>11%</b>	<b>21%</b>	<b>16%</b>
<b>Medication Delivery</b>									
IV Therapies	\$113	\$295	\$408	\$107	\$239	\$346	6%	23%	18%
Global Injectables	199	194	393	237	144	381	(16%)	35%	3%
Infusion Systems	134	95	229	127	81	208	6%	17%	10%
Anesthesia	76	46	122	62	34	96	23%	35%	27%
Other	3	9	12	2	6	8	50%	50%	50%
<b>Total Medication Delivery</b>	<b>\$525</b>	<b>\$639</b>	<b>\$1,164</b>	<b>\$535</b>	<b>\$504</b>	<b>\$1,039</b>	<b>(2%)</b>	<b>27%</b>	<b>12%</b>
<b>Renal</b>									
PD Therapy	\$73	\$406	\$479	\$68	\$375	\$443	7%	8%	8%
HD Therapy	24	95	119	27	83	110	(11%)	14%	8%
<b>Total Renal</b>	<b>\$97</b>	<b>\$501</b>	<b>\$598</b>	<b>\$95</b>	<b>\$458</b>	<b>\$553</b>	<b>2%</b>	<b>9%</b>	<b>8%</b>
<b>Baxter excluding Transfusion Therapies</b>	<b>\$1,212</b>	<b>\$1,935</b>	<b>\$3,147</b>	<b>\$1,162</b>	<b>\$1,620</b>	<b>\$2,782</b>	<b>4%</b>	<b>19%</b>	<b>13%</b>
<b>Transfusion Therapies <sup>3</sup></b>	<b>\$29</b>	<b>\$13</b>	<b>\$42</b>	<b>\$34</b>	<b>\$13</b>	<b>\$47</b>	<b>(15%)</b>	<b>0%</b>	<b>(11%)</b>
<b>TOTAL BAXTER</b>	<b>\$1,241</b>	<b>\$1,948</b>	<b>\$3,189</b>	<b>\$1,196</b>	<b>\$1,633</b>	<b>\$2,829</b>	<b>4%</b>	<b>19%</b>	<b>13%</b>

<sup>1</sup> Previously referred to as BioSurgery.

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

<sup>3</sup> The results of operations of the TT business were previously reported in the BioScience business. The TT business was sold on February 28, 2007. 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.