

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Three Months Ended September 30, 2006 and 2005
(unaudited)
(in millions, except per share and percentage data)

	Three Months Ended September 30,		Change
	2006	2005	
NET SALES	\$2,557	\$2,398	7%
GROSS PROFIT	1,215	1,010	20%
<i>% of Sales</i>	47.5%	42.1%	5.4 pts
MARKETING AND ADMINISTRATIVE EXPENSES	562	491	14%
<i>% of Sales</i>	22.0%	20.5%	1.5 pts
RESEARCH AND DEVELOPMENT EXPENSES	149	133	12%
RESTRUCTURING ADJUSTMENTS	-	(5)	(100%)
OPERATING INCOME	504	391	29%
<i>% of Sales</i>	19.7%	16.3%	3.4 pts
INTEREST, NET	5	31	(84%)
OTHER EXPENSE, NET	20	10	100%
INCOME BEFORE INCOME TAXES	479	350	37%
INCOME TAX EXPENSE	105	234	(55%)
NET INCOME	\$374	\$116	222%
BASIC EPS	\$0.58	\$0.19	205%
DILUTED EPS	\$0.57	\$0.18	217%
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	653	622	
Diluted	661	632	
ADJUSTED NET INCOME (excluding certain items)	\$374	\$296 (1)	
ADJUSTED DILUTED EPS (excluding certain items)	\$0.57	\$0.47 (1)	

(1) See page 8 for description of adjustments and reconciliation to GAAP (generally accepted accounting principles) measures.

Note: Effective January 1, 2006, the company adopted SFAS No. 123-R using the modified prospective method. After-tax stock-option expense for the third quarter of 2006 was \$18 million, or \$0.03 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 third quarter of 2005 was \$13 million, or \$0.02 per diluted share.

Non-GAAP Financial Measures: The non-GAAP financial measures contained in this press release (earnings 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.
Consolidated Statements of Income
Three Months Ended September 30, 2005
Description of Adjustments and Reconciliation of GAAP to Non-GAAP
(unaudited)
(in millions, except per share and percentage data)

The Company's GAAP results for the three months ended September 30, 2005 included charges relating to the exit of hemodialysis instrument manufacturing, taxes on the repatriation of foreign earnings, and a credit related to restructuring adjustments, which impacted the GAAP results as follows:

	Operating Income	Income Tax Expense	Net Income	Diluted EPS
GAAP	\$391	\$234	\$116	\$0.18
Hemodialysis instruments charge (A)	28	8	20	0.03
Restructuring adjustments (B)	(5)	(2)	(3)	-
Tax expense on repatriation of foreign earnings	-	(163)	163	0.26
Excluding specified items	\$414	\$77	\$296	\$0.47
Adjusted operating income %	17.3%			

(A) Included in the Gross Profit line in the accompanying consolidated statement of income. Excluding this item, adjusted gross profit is \$1.04 billion and the adjusted gross profit percentage is 43.2%.

(B) Included in the Restructuring Adjustments line in the accompanying consolidated statement of income.

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Nine Months Ended September 30, 2006 and 2005
(unaudited)
(in millions, except per share and percentage data)

	Nine Months Ended September 30,		Change
	2006	2005	
NET SALES	\$7,615	\$7,358	3%
GROSS PROFIT	3,422	3,015	13%
<i>% of Sales</i>	44.9%	41.0%	3.9 pts
MARKETING AND ADMINISTRATIVE EXPENSES	1,670	1,511	11%
<i>% of Sales</i>	21.9%	20.5%	1.4 pts
RESEARCH AND DEVELOPMENT EXPENSES	433	399	9%
RESTRUCTURING ADJUSTMENTS	-	(109)	(100%)
OPERATING INCOME	1,319	1,214	9%
<i>% of Sales</i>	17.3%	16.5%	0.8 pts
INTEREST, NET	33	95	(65%)
OTHER EXPENSE, NET	55	59	(7%)
INCOME BEFORE INCOME TAXES	1,231	1,060	16%
INCOME TAX EXPENSE	266	396	(33%)
NET INCOME	\$965	\$664	45%
BASIC EPS	\$1.49	\$1.07	39%
DILUTED EPS	\$1.47	\$1.06	39%
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	650	621	
Diluted	656	627	
ADJUSTED NET INCOME (excluding certain items)	\$1,029 (1)	\$829 (1)	
ADJUSTED DILUTED EPS (excluding certain items)	\$1.57 (1)	\$1.32 (1)	

(1) See page 10 for description of adjustments and reconciliation to GAAP measures.

Note: Effective January 1, 2006, the company adopted SFAS No. 123-R using the modified prospective method. After-tax stock-option expense for the nine months ended September 30, 2006 was \$38 million, or \$0.06 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 for the nine months ended September 30, 2005 was \$41 million, or \$0.07 per diluted share.

Non-GAAP Financial Measures: The non-GAAP financial measures contained in this press release (earnings 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.
Consolidated Statements of Income
Nine Months Ended September 30, 2006 and 2005
Description of Adjustments and Reconciliation of GAAP to Non-GAAP
(unaudited)
(in millions, except per share and percentage data)

2006 description of adjustments and reconciliation of GAAP to Non-GAAP

The Company's GAAP results for the nine months ended September 30, 2006 included a charge related to COLLEAGUE infusion pumps, which impacted the GAAP results as follows:

	Operating Income	Income Tax Expense	Net Income	Diluted EPS
GAAP	\$1,319	\$266	\$965	\$1.47
COLLEAGUE infusion pump charge (A)	76	12	64	0.10
Excluding specified items	\$1,395	\$278	\$1,029	\$1.57

Adjusted operating income % **18.3%**

- (A) Included in the Gross Profit line in the accompanying consolidated statement of income. Excluding this item, adjusted gross profit is \$3.50 billion and the adjusted gross profit percentage is 45.9%.

2005 description of adjustments and reconciliation of GAAP to Non-GAAP

The Company's GAAP results for the nine months ended September 30, 2005 included charges relating to COLLEAGUE infusion pumps, the exit of hemodialysis instrument manufacturing, taxes on the repatriation of foreign earnings, and a credit related to restructuring adjustments, which impacted the GAAP results as follows:

	Operating Income	Income Tax Expense	Net Income	Diluted EPS
GAAP	\$1,214	\$396	\$664	\$1.06
COLLEAGUE infusion pump charge (B)	77	12	65	0.10
Hemodialysis instruments charge (B)	28	8	20	0.03
Restructuring adjustments (C)	(109)	(26)	(83)	(0.13)
Tax expense on repatriation of foreign earnings	-	(163)	163	0.26
Excluding specified items	\$1,210	\$227	\$829	\$1.32

Adjusted operating income % **16.4%**

- (B) Included in the Gross Profit line in the accompanying consolidated statement of income. Excluding these items, adjusted gross profit is \$3.12 billion and the adjusted gross profit percentage is 42.4%.
- (C) Included in the Restructuring Adjustments line in the accompanying consolidated statement of income.

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

	September 30, 2006	December 31, 2005
<u>ASSETS</u>		
Cash and equivalents	\$2,067	\$841
Receivables	1,751	1,766
Inventories	2,089	1,925
Other current assets	512	584
Total current assets	6,419	5,116
Property, plant and equipment, net	4,095	4,144
Other long-term assets	3,417	3,467
Total assets	\$13,931	\$12,727
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Short-term debt	\$128	\$924
Other current liabilities	2,841	3,241
Long-term debt	2,680	2,414
Other long-term liabilities	1,944	1,849
Shareholders' equity	6,338	4,299
Total liabilities and shareholders' equity	\$13,931	\$12,727

Baxter International Inc.
Net Sales from Continuing Operations
Period Ended September 30, 2006
(unaudited)
(\$ in millions)

	Q3 2006	Q3 2005	% Growth @ Actual Rates	% Growth @ Constant Rates	YTD 2006	YTD 2005	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience								
United States	\$528	\$449	18%	18%	\$1,540	\$1,285	20%	20%
International	560	501	12%	8%	1,669	1,557	7%	9%
Total	\$1,088	\$950	15%	13%	\$3,209	\$2,842	13%	14%
Medication Delivery								
United States	\$489	\$531	(8%)	(8%)	\$1,532	\$1,702	(10%)	(10%)
International	461	426	8%	6%	1,346	1,316	2%	3%
Total	\$950	\$957	(1%)	(2%)	\$2,878	\$3,018	(5%)	(4%)
Renal								
United States	\$95	\$96	(1%)	(1%)	\$286	\$289	(1%)	(1%)
International	424	395	7%	7%	1,242	1,209	3%	4%
Total	\$519	\$491	6%	5%	\$1,528	\$1,498	2%	3%
Baxter International Inc.								
United States	\$1,112	\$1,076	3%	3%	\$3,358	\$3,276	3%	3%
International	1,445	1,322	9%	7%	4,257	4,082	4%	6%
Total	\$2,557	\$2,398	7%	6%	\$7,615	\$7,358	3%	4%

Baxter International Inc.
Key Product Line Sales
Period Ended September 30, 2006
(unaudited)
(\$ in millions)

	Q3 2006	Q3 2005 ¹	% Growth @ Actual Rates	% Growth @ Constant Rates	YTD 2006	YTD 2005 ¹	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience								
Recombinants	\$433	\$392	10%	8%	\$1,244	\$1,133	10%	11%
Plasma Proteins ²	214	176	22%	19%	619	516	20%	21%
Antibody Therapy	196	123	59%	57%	578	305	90%	90%
BioSurgery ³	72	63	14%	13%	220	199	11%	12%
Transfusion Therapies	121	134	(10%)	(11%)	371	407	(9%)	(8%)
Other ⁴	52	62	(16%)	(16%)	177	282	(37%)	(35%)
Total BioScience	\$1,088	\$950	15%	13%	\$3,209	\$2,842	13%	14%
Medication Delivery								
IV Therapies ⁵	\$317	\$301	5%	4%	\$944	\$909	4%	5%
Drug Delivery	205	192	7%	5%	613	622	(1%)	(1%)
Infusion Systems	197	184	7%	7%	596	659	(10%)	(9%)
Anesthesia and Injectable Drugs	221	259	(15%)	(15%)	691	772	(10%)	(10%)
Other ⁶	10	21	(52%)	(48%)	34	56	(39%)	(38%)
Total Medication Delivery	\$950	\$957	(1%)	(2%)	\$2,878	\$3,018	(5%)	(4%)
Renal								
PD Therapy	\$409	\$386	6%	6%	\$1,205	\$1,153	5%	6%
HD Therapy	110	105	5%	5%	323	345	(6%)	(6%)
Total Renal⁷	\$519	\$491	6%	5%	\$1,528	\$1,498	2%	3%
TOTAL BAXTER	\$2,557	\$2,398	7%	6%	\$7,615	\$7,358	3%	4%

¹ Prior year sales data has been reclassified to reflect the changes that are described in notes 2, 3, 4 and 7 below.

² 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.

³ Includes sales of Tisseel and FloSeal/CoSeal, which were previously reported in Plasma Proteins and Other, respectively.

⁴ 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.

⁵ Principally includes intravenous solutions and nutritional products.

⁶ Principally includes other hospital-distributed products.

⁷ Sales of pharmaceutical and certain other products, which were previously reported in Other, are now reported in PD Therapy.

Baxter International Inc.
Key Product Line Sales -- US/International
Period Ended September 30, 2006
(unaudited)
(\$ in millions)

	Q3 2006			Q3 2005 ¹			% Growth		
	US	International	Total	US	International	Total	US	International	Total
BioScience									
Recombinants	\$182	\$251	\$433	\$170	\$222	\$392	7%	13%	10%
Plasma Proteins ²	87	127	214	61	115	176	43%	10%	22%
Antibody Therapy	146	50	196	83	40	123	76%	25%	59%
BioSurgery ³	40	32	72	35	28	63	14%	14%	14%
Transfusion Therapies	60	61	121	66	68	134	(9%)	(10%)	(10%)
Other ⁴	13	39	52	34	28	62	(62%)	39%	(16%)
Total BioScience	\$528	\$560	\$1,088	\$449	\$501	\$950	18%	12%	15%
Medication Delivery									
IV Therapies ⁵	\$103	\$214	\$317	\$101	\$200	\$301	2%	7%	5%
Drug Delivery	128	77	205	120	72	192	7%	7%	7%
Infusion Systems	118	79	197	118	66	184	-%	20%	7%
Anesthesia and Injectable Drugs	135	86	221	184	75	259	(27%)	15%	(15%)
Other ⁶	5	5	10	8	13	21	(38%)	(62%)	(52%)
Total Medication Delivery	\$489	\$461	\$950	\$531	\$426	\$957	(8%)	8%	(1%)
Renal									
PD Therapy	\$67	\$342	\$409	\$66	\$320	\$386	2%	7%	6%
HD Therapy	28	82	110	30	75	105	(7%)	9%	5%
Total Renal ⁷	\$95	\$424	\$519	\$96	\$395	\$491	(1%)	7%	6%
TOTAL BAXTER	\$1,112	\$1,445	\$2,557	\$1,076	\$1,322	\$2,398	3%	9%	7%

¹ Prior year sales data has been reclassified to reflect the changes that are described in notes 2, 3, 4 and 7 below.

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