

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Three Months Ended September 30, 2007 and 2006
(unaudited)
(in millions, except per share and percentage data)

	Three Months Ended September 30,		
	2007	2006	Change
NET SALES	\$2,750	\$2,557	8%
COST OF GOODS SOLD	1,374	1,342	2%
GROSS PROFIT	1,376	1,215	13%
<i>% of Sales</i>	<i>50.0%</i>	<i>47.5%</i>	<i>2.5 pts</i>
MARKETING AND ADMINISTRATIVE EXPENSES	663 ¹	562	18%
<i>% of Sales</i>	<i>24.1%</i>	<i>22.0%</i>	<i>2.1 pts</i>
RESEARCH AND DEVELOPMENT EXPENSES	203 ²	149	36%
<i>% of Sales</i>	<i>7.4%</i>	<i>5.8%</i>	<i>1.6 pts</i>
NET INTEREST EXPENSE	6	5	20%
OTHER EXPENSE, NET	21	20	5%
PRE-TAX INCOME	483	479	1%
INCOME TAX EXPENSE	88	105	(16%)
NET INCOME	\$395	\$374	6%
BASIC EPS	\$0.62	\$0.58	7%
DILUTED EPS	\$0.61	\$0.57	7%
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	641	653	
Diluted	651	661	
ADJUSTED PRE-TAX INCOME (excluding certain items)	\$574 ³	\$479	20%
ADJUSTED NET INCOME (excluding certain items)	\$458 ³	\$374	22%
ADJUSTED DILUTED EPS (excluding certain items)	\$0.70 ³	\$0.57	23%

- 1 Marketing and administrative expenses in 2007 included a pre-tax charge of \$56 million (\$34 million, or \$0.05 per diluted share, on an after-tax basis) related to the company's Average Wholesale Pricing (AWP) litigation.
- 2 Research and development expenses in 2007 included in-process research and development (IPR&D) charges of \$25 million related to the company's collaboration for the development of a next-generation home hemodialysis machine, and \$10 million related to the company's licensing arrangement with Halozyme Therapeutics, Inc. The after-tax impact of these items was \$29 million, or \$0.04 per diluted share.
- 3 See page 8 for description of adjustments and 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.
Consolidated Statement of Income
Three Months Ended September 30, 2007
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, 2007 included a charge related to the AWP litigation, and IPR&D charges related to the company's collaboration for the development of a next-generation home hemodialysis machine and the company's in-licensing arrangement with Halozyme Therapeutics, Inc. These charges impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income	Diluted EPS
GAAP	\$483	\$88	\$395	\$0.61
Litigation-related charge (A)	56	22	34	0.05
IPR&D charges (B)	35	6	29	0.04
Excluding specified items	\$574	\$116	\$458	\$0.70

(A) Included in the Marketing and Administrative Expenses line in the accompanying consolidated statement of income. Excluding this item, adjusted marketing and administrative expenses were \$607 million, or 22.1% of sales.

(B) Included in the Research and Development Expenses line in the accompanying consolidated statement of income. Excluding this item, adjusted research and development expenses were \$168 million, or 6.1% of sales.

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Nine Months Ended September 30, 2007 and 2006
(unaudited)
(in millions, except per share and percentage data)

	Nine Months Ended September 30,		
	2007	2006	Change
NET SALES	\$8,254	\$7,615	8%
COST OF GOODS SOLD	4,220	4,193¹	1%
GROSS PROFIT	4,034	3,422	18%
<i>% of Sales</i>	<i>48.9%</i>	<i>44.9%</i>	<i>4.0 pts</i>
MARKETING AND ADMINISTRATIVE EXPENSES	1,867²	1,670	12%
<i>% of Sales</i>	<i>22.6%</i>	<i>21.9%</i>	<i>0.7 pts</i>
RESEARCH AND DEVELOPMENT EXPENSES	539³	433	24%
<i>% of Sales</i>	<i>6.5%</i>	<i>5.7%</i>	<i>0.8 pts</i>
RESTRUCTURING CHARGES	70⁴	--	N/A
NET INTEREST EXPENSE	10	33	(70%)
OTHER EXPENSE, NET	28⁵	55	(49%)
PRE-TAX INCOME	1,520	1,231	23%
INCOME TAX EXPENSE	291	266	9%
NET INCOME	\$1,229	\$965	27%
BASIC EPS	\$1.90	\$1.49	28%
DILUTED EPS	\$1.87	\$1.47	27%
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	647	650	
Diluted	657	656	
ADJUSTED PRE-TAX INCOME (excluding certain items)	\$1,681⁶	\$1,307⁶	29%
ADJUSTED NET INCOME (excluding certain items)	\$1,338⁶	\$1,029⁶	30%
ADJUSTED DILUTED EPS (excluding certain items)	\$2.03⁶	\$1.57⁶	29%

1 Cost of goods sold in 2006 included a \$76 million pre-tax charge (\$64 million, or \$0.10 per share, on an after-tax basis) related to COLLEAGUE infusion pumps.

2 Marketing and administrative expenses in 2007 included a pre-tax charge of \$56 million (\$34 million, or \$0.05 per diluted share, on an after-tax basis) related to the company's AWP litigation.

3 Research and development expenses in 2007 included IPR&D charges of \$25 million related to the company's collaboration for the development of a next-generation home hemodialysis machine, and \$10 million related to the company's in-licensing arrangement with Halozyme Therapeutics, Inc. The after-tax impact of these items was \$29 million, or \$0.04 per diluted share. Also included in research and development expenses in 2007 was an IPR&D charge of \$11 million (\$7 million, or \$0.01 per diluted share, on an after-tax basis) related to the acquisition of MAAS Medical, LLC.

4 Restructuring charges of \$70 million (\$46 million, or \$0.07 per share, on an after-tax basis) in 2007 are primarily for costs and asset impairments associated with the consolidation of certain commercial and manufacturing operations outside of the United States.

5 Other expense, net in 2007 included 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.

6 See page 10 for description of adjustments and 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.
Consolidated Statements of Income
Nine Months Ended September 30, 2007 and 2006
Description of Adjustments and Reconciliation of GAAP to Non-GAAP
(unaudited)
(in millions, except per share and percentage data)

2007 description of adjustments and reconciliation of GAAP to Non-GAAP

The company's GAAP results for the nine months ended September 30, 2007 included restructuring charges, primarily for costs and asset impairments associated with the consolidation of certain commercial and manufacturing operations outside of the United States, a charge related to the AWP litigation, and IPR&D charges related to the company's collaboration for the development of a next-generation home hemodialysis machine and the company's in-licensing arrangement with Halozyme Therapeutics, Inc. These charges impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income	Diluted EPS
GAAP	\$1,520	\$291	\$1,229	\$1.87
Restructuring charges	70	24	46	0.07
Litigation-related charge (A)	56	22	34	0.05
IPR&D charges (B)	35	6	29	0.04
Excluding specified items	\$1,681	\$343	\$1,338	\$2.03

(A) Included in the Marketing and Administrative Expenses line in the accompanying consolidated statement of income. Excluding this item, adjusted marketing and administrative expenses were \$1.81 billion, or 21.9% of sales.

(B) Included in the Research and Development Expenses line in the accompanying consolidated statement of income. Excluding this item, adjusted research and development expenses were \$504 million, or 6.1% of sales.

2006 description of adjustment 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:

	Pre-tax Income	Income Tax Expense	Net Income	Diluted EPS
GAAP	\$1,231	\$266	\$965	\$1.47
COLLEAGUE infusion pump charge (C)	76	12	64	0.10
Excluding specified items	\$1,307	\$278	\$1,029	\$1.57

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

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

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
<u>Assets</u>		
Cash and equivalents	\$1,818	\$2,485
Receivables	1,976	1,838
Inventories	2,320	2,066
Other current assets	526	581
Total current assets	<u>6,640</u>	<u>6,970</u>
Property, plant and equipment, net	4,216	4,229
Other long-term assets	3,291	3,487
Total assets	<u>\$14,147</u>	<u>\$14,686</u>
<u>Liabilities and Shareholders' Equity</u>		
Short-term debt	\$546	\$234
Other current liabilities	3,143	3,376
Long-term debt	2,024	2,567
Other long-term liabilities	2,142	2,237
Shareholders' equity	6,292	6,272
Total liabilities and shareholders' equity	<u>\$14,147</u>	<u>\$14,686</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		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Net income	\$395	\$374	\$1,229	\$965
Adjustments				
Depreciation and amortization	141	146	428	431
Deferred income taxes	14	58	32	76
Stock compensation	36	30	99	68
Restructuring and infusion pump charges	--	--	70	76
Litigation-related charge	56	--	56	--
IPR&D charges	35	--	46	--
Other	27	7	53	29
Changes in balance sheet items				
Receivables	40	18	(114)	33
Inventories	(91)	(58)	(261)	(108)
Accounts payable and accrued liabilities	6	(22)	(85)	(159)
Restructuring payments	(14)	(9)	(20)	(34)
Other	(37)	29	21	44
Cash flows from operations	\$608	\$573	\$1,554	\$1,421
Changes in Net Debt				
Increase (decrease)				
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Net debt, beginning of period	\$231	\$1,298	\$316	\$2,497
Cash flows from operations	(608)	(573)	(1,554)	(1,421)
Capital expenditures	166	138	424	336
Dividends	109	--	598	363
Proceeds from sale of Transfusion Therapies business	--	--	(421)	--
Proceeds from issuances of stock	(72)	(120)	(500)	(1,444)
Purchases of treasury stock	827	87	1,641	479
Payments relating to acquisitions of, and investments in, businesses and technologies	40	1	83	3
Payments relating to settlement of cross-currency swaps	49	--	196	--
Other, including the effect of exchange rate changes	10	(90)	(31)	(72)
Increase (decrease) in net debt	521	(557)	436	(1,756)
Net debt, September 30	\$752	\$741	\$752	\$741
Key statistics, September 30:				
Days sales outstanding	58.7	55.9	58.7	55.9
Inventory turns	2.3	2.4	2.3	2.4

BAXTER INTERNATIONAL INC.
Net Sales
Periods Ending September 30, 2007 and 2006
(unaudited)
(\$ in millions)

	Q3 2007	Q3 2006 ¹	% Growth @ Actual Rates	% Growth @ Constant Rates	YTD 2007	YTD 2006 ¹	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience²								
United States	\$556	\$468	19%	19%	\$1,572	\$1,365	15%	15%
International	543	499	9%	2%	1,789	1,473	21%	14%
Total	\$1,099	\$967	14%	10%	\$3,361	\$2,838	18%	14%
Medication Delivery								
United States	\$528	\$489	8%	8%	\$1,578	\$1,532	3%	3%
International	519	461	13%	4%	1,498	1,346	11%	4%
Total	\$1,047	\$950	10%	6%	\$3,076	\$2,878	7%	4%
Renal								
United States	\$96	\$95	1%	1%	\$288	\$286	1%	1%
International	464	424	9%	3%	1,350	1,242	9%	4%
Total	\$560	\$519	8%	3%	\$1,638	\$1,528	7%	3%
Baxter excluding Transfusion Therapies								
United States	\$1,180	\$1,052	12%	12%	\$3,438	\$3,183	8%	8%
International	1,526	1,384	10%	3%	4,637	4,061	14%	8%
Total	\$2,706	\$2,436	11%	7%	\$8,075	\$7,244	11%	8%
Transfusion Therapies²								
United States	\$31	\$60	(48%)	(48%)	\$108	\$175	(38%)	(38%)
International	13	61	(79%)	(79%)	71	196	(64%)	(65%)
Total	\$44	\$121	(64%)	(64%)	\$179	\$371	(52%)	(53%)
Baxter International Inc.								
United States	\$1,211	\$1,112	9%	9%	\$3,546	\$3,358	6%	6%
International	1,539	1,445	7%	0%	4,708	4,257	11%	4%
Total	\$2,750	\$2,557	8%	4%	\$8,254	\$7,615	8%	5%

¹ Prior year sales data has been reclassified to reflect the change that is described in Note 2 below.

² Sales of Transfusion Therapies (TT) products were previously reported in BioScience. Due to Baxter's actual and 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 TT reflect sales of TT products until the completion of the sale of the TT business, as well as revenues associated with the manufacturing, distribution and other services provided by the company to the buyer post-divestiture.

BAXTER INTERNATIONAL INC.
Key Product Line Sales at Actual and Constant Foreign Exchange Rates
Periods Ending September 30, 2007 and 2006
(unaudited)
(\$ in millions)

	Q3 2007	Q3 2006 ¹	% Growth @ Actual Rates	% Growth @ Constant Rates	YTD 2007	YTD 2006 ¹	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience								
Recombinants ²	\$432	\$389	11%	8%	\$1,251	\$1,118	12%	8%
Plasma Proteins ³	246	214	15%	10%	714	619	15%	11%
Antibody Therapy	245	196	25%	23%	705	578	22%	20%
Regenerative Medicine ⁴	82	72	14%	11%	251	220	14%	10%
Other ⁵	94	96	(2%)	(5%)	440	303	45%	37%
Total BioScience⁶	\$1,099	\$967	14%	10%	\$3,361	\$2,838	18%	14%
Medication Delivery								
IV Therapies ⁷	\$346	\$317	9%	3%	\$1,012	\$944	7%	2%
Global Injectables ⁸	372	350	6%	3%	1,114	1,079	3%	0%
Infusion Systems	207	197	5%	3%	624	596	5%	3%
Anesthesia ⁹	111	76	46%	41%	296	225	32%	28%
Other ¹⁰	11	10	10%	0%	30	34	(12%)	(15%)
Total Medication Delivery	\$1,047	\$950	10%	6%	\$3,076	\$2,878	7%	4%
Renal								
PD Therapy	\$448	\$409	10%	5%	\$1,310	\$1,205	9%	5%
HD Therapy	112	110	2%	(6%)	328	323	2%	(4%)
Total Renal	\$560	\$519	8%	3%	\$1,638	\$1,528	7%	3%
Baxter excluding Transfusion Therapies	\$2,706	\$2,436	11%	7%	\$8,075	\$7,244	11%	8%
Transfusion Therapies¹¹	\$44	\$121	(64%)	(64%)	\$179	\$371	(52%)	(53%)
TOTAL BAXTER	\$2,750	\$2,557	8%	4%	\$8,254	\$7,615	8%	5%

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

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

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

4 Previously referred to as BioSurgery.

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

6 BioScience sales have been reclassified to reflect the change described in Note 11.

7 Principally includes intravenous solutions and nutritional products.

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

9 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.

10 Principally includes other hospital-distributed products.

11 Sales of TT products were previously reported in BioScience. Due to Baxter's actual and expected significant continuing cash flows associated with the 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 by US and International
Periods Ending September 30, 2007 and 2006
(unaudited)
(\$ in millions)

	Q3 2007			Q3 2006 ¹			% Growth		
	US	International	Total	US	International	Total	US	International	Total
BioScience									
Recombinants ²	\$205	\$227	\$432	\$182	\$207	\$389	13%	10%	11%
Plasma Proteins ³	101	145	246	87	127	214	16%	14%	15%
Antibody Therapy	178	67	245	146	50	196	22%	34%	25%
Regenerative Medicine ⁴	44	38	82	40	32	72	10%	19%	14%
Other ⁵	28	66	94	13	83	96	115%	(20%)	(2%)
Total BioScience ⁶	\$556	\$543	\$1,099	\$468	\$499	\$967	19%	9%	14%
Medication Delivery									
IV Therapies ⁷	\$109	\$237	\$346	\$103	\$214	\$317	6%	11%	9%
Global Injectables ⁸	217	155	372	210	140	350	3%	11%	6%
Infusion Systems	123	84	207	118	79	197	4%	6%	5%
Anesthesia ⁹	75	36	111	53	23	76	42%	57%	46%
Other ¹⁰	4	7	11	5	5	10	(20%)	40%	10%
Total Medication Delivery	\$528	\$519	\$1,047	\$489	\$461	\$950	8%	13%	10%
Renal									
PD Therapy	\$69	\$379	\$448	\$67	\$342	\$409	3%	11%	10%
HD Therapy	27	85	112	28	82	110	(4%)	4%	2%
Total Renal	\$96	\$464	\$560	\$95	\$424	\$519	1%	9%	8%
Baxter excluding Transfusion Therapies	\$1,180	\$1,526	\$2,706	\$1,052	\$1,384	\$2,436	12%	10%	11%
Transfusion Therapies ¹¹	\$31	\$13	\$44	\$60	\$61	\$121	(48%)	(79%)	(64%)
TOTAL BAXTER	\$1,211	\$1,539	\$2,750	\$1,112	\$1,445	\$2,557	9%	7%	8%

¹ Prior year data has been reclassified to reflect the changes that are described in Notes 2, 5, 6, 8, 9 and 11 below.

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

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

⁴ Previously referred to as BioSurgery.

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

⁶ BioScience sales have been reclassified to reflect the change described in Note 11.

⁷ Principally includes intravenous solutions and nutritional products.

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

⁹ 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.

¹⁰ Principally includes other hospital-distributed products.

¹¹ Sales of TT products were previously reported in BioScience. Due to Baxter's actual and expected significant continuing cash flows associated with the 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.