

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

	Three Months Ended December 31,		
	2007	2006	Change
NET SALES	\$3,009	\$2,763	9%
COST OF GOODS SOLD	1,524	1,448	5%
GROSS PROFIT	1,485	1,315	13%
<i>% of Sales</i>	<i>49.4%</i>	<i>47.6%</i>	<i>1.8 pts</i>
MARKETING AND ADMINISTRATIVE EXPENSES	654	612	7%
<i>% of Sales</i>	<i>21.7%</i>	<i>22.1%</i>	<i>(0.4) pts</i>
RESEARCH AND DEVELOPMENT EXPENSES	221 ¹	181	22%
<i>% of Sales</i>	<i>7.3%</i>	<i>6.6%</i>	<i>0.7 pts</i>
NET INTEREST EXPENSE	12	1	1,100%
OTHER EXPENSE, NET	4	6	(33%)
PRE-TAX INCOME	594	515	15%
INCOME TAX EXPENSE	116	82	41%
<i>% of Pre-Tax Income</i>	<i>19.5%</i>	<i>15.9%</i>	<i>3.6 pts</i>
INCOME FROM CONTINUING OPERATIONS	\$478	\$433	10%
BASIC EPS FROM CONTINUING OPERATIONS	\$0.75	\$0.66	14%
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.74	\$0.66	12%
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	634	653	
Diluted	645	659	
ADJUSTED PRE-TAX INCOME (excluding certain items)	\$609 ²	\$515	18%
ADJUSTED INCOME FROM CONTINUING OPERATIONS (excluding certain items)	\$488 ²	\$433	13%
ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS (excluding certain items)	\$0.76 ²	\$0.66	15%

- ¹ Research and development (R&D) expenses in 2007 included a \$10 million in-process R&D (IPR&D) charge associated with an arrangement with Nycomed Pharma AS relating to the distribution of a product used for hemostasis and tissue sealing, and a \$5 million IPR&D charge associated with the expansion of the company's existing arrangement with Nektar Therapeutics relating to the development of longer-acting forms of blood clotting proteins. The after-tax impact of these charges was \$10 million, or \$0.02 per diluted share.

- ² Refer to page 10 for a description of adjustments 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, income from continuing operations 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 December 31, 2007
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 three months ended December 31, 2007 included IPR&D charges. These charges impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Income From Continuing Operations	Diluted EPS
GAAP	\$594	\$116	\$478	\$0.74
IPR&D charges (A)	15	5	10	0.02
Excluding specified items	\$609	\$121	\$488	\$0.76
Effective tax rate		19.9%		

(A) Included in the Research and Development Expenses line in the accompanying consolidated statement of income. Excluding these IPR&D charges, adjusted research and development expenses were \$206, or 6.8% of sales.

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

	Twelve Months Ended December 31,		
	2007	2006	Change
NET SALES	\$11,263	\$10,378	9%
COST OF GOODS SOLD	5,744	5,641¹	2%
GROSS PROFIT	5,519	4,737	17%
<i>% of Sales</i>	<i>49.0%</i>	<i>45.6%</i>	<i>3.4 pts</i>
MARKETING AND ADMINISTRATIVE EXPENSES	2,521²	2,282	10%
<i>% of Sales</i>	<i>22.4%</i>	<i>22.0%</i>	<i>0.4 pts</i>
RESEARCH AND DEVELOPMENT EXPENSES	760³	614	24%
<i>% of Sales</i>	<i>6.7%</i>	<i>5.9%</i>	<i>0.8 pts</i>
RESTRUCTURING CHARGES	70⁴	--	N/A
NET INTEREST EXPENSE	22	34	(35%)
OTHER EXPENSE, NET	32⁵	61	(48%)
PRE-TAX INCOME	2,114	1,746	21%
INCOME TAX EXPENSE	407	348	17%
<i>% of Pre-Tax Income</i>	<i>19.3%</i>	<i>19.9%</i>	<i>(0.6) pts</i>
INCOME FROM CONTINUING OPERATIONS	\$1,707	\$1,398	22%
BASIC EPS	\$2.65	\$2.15	23%
DILUTED EPS FROM CONTINUING OPERATIONS	\$2.61	\$2.13	23%
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	644	651	
Diluted	654	656	
ADJUSTED PRE-TAX INCOME (excluding certain items)	\$2,290⁶	\$1,822⁶	26%
ADJUSTED INCOME FROM CONTINUING OPERATIONS (excluding certain items)	\$1,826⁶	\$1,462⁶	25%
ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS (excluding certain items)	\$2.79⁶	\$2.23⁶	25%

1 Cost of goods sold in 2006 included a \$76 million 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 \$56 million charge (\$34 million, or \$0.05 per diluted share, on an after-tax basis) related to the company's AWP litigation.

3 R&D expenses in 2007 included IPR&D charges of \$25 million associated with an arrangement related to the development of a next-generation home hemodialysis machine, \$10 million associated with an arrangement with Halozyne Therapeutics, Inc. relating to the use of HYLENEX recombinant with the company's proprietary and non-proprietary small molecule drugs, \$10 million associated with an arrangement with Nycomed Pharma AS relating to the distribution of a product used for hemostasis and tissue sealing, and \$5 million associated with the expansion of the company's existing relationship with Nektar Therapeutics relating to the development of longer-acting forms of blood clotting proteins. The after-tax impact of these charges was \$39 million, or \$0.06 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 were primarily for asset impairments and other costs 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, representing a gain on the sale of the Transfusion Therapies business of \$58 million less related charges of \$35 million. The net after-tax impact of these items was \$6 million of income, or \$0.01 per diluted share.

6 Refer to page 12 for a description of adjustments and a reconciliation to GAAP measures.

Non-GAAP Financial Measures: The non-GAAP financial measures contained in this press release (pre-tax income, income from continuing operations 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
Twelve Months Ended December 31, 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 twelve months ended December 31, 2007 included restructuring charges, a charge related to the company's AWP litigation, and IPR&D charges. These charges impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Income From Continuing Operations	Diluted EPS
GAAP	\$2,114	\$407	\$1,707	\$2.61
Restructuring charges	70	24	46	0.07
Litigation-related charge (A)	56	22	34	0.05
IPR&D charges (B)	50	11	39	0.06
Excluding specified items	\$2,290	\$464	\$1,826	\$2.79
Effective tax rate		20.3%		

(A) Included in the Marketing and Administrative Expenses line in the accompanying consolidated statement of income. Excluding this charge, adjusted marketing and administrative expenses were \$2,465, or 21.9% of sales.

(B) Included in the Research and Development Expenses line in the accompanying consolidated statement of income. Excluding these charges, adjusted research and development expenses were \$710, or 6.3% of sales.

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

The company's GAAP results for the twelve months ended December 31, 2006 included a charge related to COLLEAGUE infusion pumps. This charge impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income	Diluted EPS
GAAP	\$1,746	\$348	\$1,398	\$2.13
COLLEAGUE infusion pump charge (C)	76	12	64	0.10
Excluding specified items	\$1,822	\$360	\$1,462	\$2.23
Effective tax rate		19.8%		

(C) Included in the Cost of Goods Sold line in the accompanying consolidated statement of income. Excluding this charge, adjusted cost of goods sold was \$5,565 and the adjusted gross profit percentage was 46.4%.

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

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
<u>Assets</u>		
Cash and equivalents	\$2,539	\$2,485
Receivables	2,026	1,838
Inventories	2,334	2,066
Other current assets	656	581
Total current assets	<u>7,555</u>	<u>6,970</u>
Property, plant and equipment, net	4,487	4,229
Other long-term assets	3,252	3,487
Total assets	<u>\$15,294</u>	<u>\$14,686</u>
<u>Liabilities and Shareholders' Equity</u>		
Short-term debt	\$425	\$234
Other current liabilities	3,387	3,376
Long-term debt	2,664	2,567
Other long-term liabilities	1,902	2,237
Shareholders' equity	6,916	6,272
Total liabilities and shareholders' equity	<u>\$15,294</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		Twelve Months Ended	
	December 31,		December 31,	
	2007	2006	2007	2006
Net income	\$478	\$431	\$1,707	\$1,397
Adjustments				
Depreciation and amortization	153	144	581	575
Deferred income taxes	94	(68)	126	8
Stock compensation	37	26	136	94
Restructuring and infusion pump charges	--	--	70	76
Litigation-related charge	--	--	56	--
IPR&D charges	15	--	61	--
Other	10	6	(5)	34
Changes in balance sheet items				
Receivables	(164)	(49)	(278)	(16)
Inventories	50	73	(211)	(35)
Accounts payable and accrued liabilities	86	160	1	1
Restructuring payments	(7)	(8)	(27)	(42)
Other	(1)	47	88	91
Cash flows from operations	\$751	\$762	\$2,305	\$2,183

Changes in Net Debt				
Increase (decrease)				
	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2007	2006	2007	2006
Net debt, beginning of period	\$752	\$741	\$316	\$2,497
Cash flows from operations	(751)	(762)	(2,305)	(2,183)
Capital expenditures	268	190	692	526
Dividends	106	--	704	364
Proceeds from sale of Transfusion Therapies business	--	--	(421)	--
Proceeds from issuances of stock	(139)	(51)	(639)	(1,496)
Purchases of treasury stock	214	258	1,855	737
Acquisitions of and investments in businesses and technologies	29	2	112	5
Payments relating to settlement of cross-currency swaps	108	--	304	--
Other, including the effect of exchange rate changes	(37)	(62)	(68)	(134)
Increase (decrease) in net debt	(202)	(425)	234	(2,181)
Net debt, December 31	\$550	\$316	\$550	\$316

Key statistics, December 31:				
Days sales outstanding	53.3	52.9	53.3	52.9
Inventory turns	2.5	2.7	2.5	2.7

BAXTER INTERNATIONAL INC.
Net Sales
Periods Ending December 31, 2007 and 2006
(unaudited)
(\$ in millions)

	Q4 2007	Q4 2006 ¹	% Growth @ Actual Rates	% Growth @ Constant Rates	YTD 2007	YTD 2006 ¹	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience²								
United States	\$579	\$509	14%	14%	\$2,151	\$1,874	15%	15%
International	630	533	18%	6%	2,419	2,006	21%	12%
Total	\$1,209	\$1,042	16%	10%	\$4,570	\$3,880	18%	13%
Medication Delivery								
United States	\$564	\$549	3%	3%	\$2,142	\$2,081	3%	3%
International	591	490	21%	8%	2,089	1,836	14%	5%
Total	\$1,155	\$1,039	11%	5%	\$4,231	\$3,917	8%	4%
Renal								
United States	\$100	\$95	5%	5%	\$388	\$381	2%	2%
International	501	442	13%	4%	1,851	1,684	10%	4%
Total	\$601	\$537	12%	4%	\$2,239	\$2,065	8%	4%
Baxter excluding Transfusion Therapies								
United States	\$1,243	\$1,153	8%	8%	\$4,681	\$4,336	8%	8%
International	1,722	1,465	18%	6%	6,359	5,526	15%	7%
Total	\$2,965	\$2,618	13%	7%	\$11,040	\$9,862	12%	8%
Transfusion Therapies²								
United States	\$31	\$78	(60%)	(60%)	\$139	\$253	(45%)	(45%)
International	13	67	(81%)	(82%)	84	263	(68%)	(70%)
Total	\$44	\$145	(70%)	(70%)	\$223	\$516	(57%)	(58%)
Baxter International Inc.								
United States	\$1,274	\$1,231	3%	3%	\$4,820	\$4,589	5%	5%
International	1,735	1,532	13%	2%	6,443	5,789	11%	4%
Total	\$3,009	\$2,763	9%	3%	\$11,263	\$10,378	9%	4%

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

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. Due to Baxter's actual and expected significant continuing cash flows associated with this business, Baxter continued to include the results of operations of the TT business in the company's results of continuing operations through the divestiture date. The TT totals above include sales of TT products through the date of divestiture, as well as post-divestiture 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 at Actual and Constant Foreign Exchange Rates
Periods Ending December 31, 2007 and 2006
(unaudited)
(\$ in millions)

	Q4 2007	Q4 2006 ¹	% Growth @ Actual Rates	% Growth @ Constant Rates	YTD 2007	YTD 2006 ¹	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience								
Recombinants ²	\$463	\$405	14%	9%	\$1,714	\$1,523	13%	8%
Plasma Proteins ³	301	262	15%	8%	1,015	881	15%	10%
Antibody Therapy	280	207	35%	30%	985	785	25%	23%
Regenerative Medicine ⁴	95	78	22%	17%	346	298	16%	12%
Other ⁵	70	90	(22%)	(30%)	510	393	30%	21%
Total BioScience⁶	\$1,209	\$1,042	16%	10%	\$4,570	\$3,880	18%	13%
Medication Delivery								
IV Therapies ⁷	\$390	\$341	14%	6%	\$1,402	\$1,285	9%	3%
Global Injectables ⁸	390	374	4%	0%	1,504	1,453	4%	0%
Infusion Systems	236	221	7%	2%	860	817	5%	2%
Anesthesia ⁹	126	92	37%	32%	422	317	33%	29%
Other ¹⁰	13	11	18%	18%	43	45	(4%)	(7%)
Total Medication Delivery	\$1,155	\$1,039	11%	5%	\$4,231	\$3,917	8%	4%
Renal								
PD Therapy	\$481	\$429	12%	5%	\$1,791	\$1,634	10%	5%
HD Therapy	120	108	11%	2%	448	431	4%	(2%)
Total Renal	\$601	\$537	12%	4%	\$2,239	\$2,065	8%	4%
Baxter excluding Transfusion Therapies	\$2,965	\$2,618	13%	7%	\$11,040	\$9,862	12%	8%
Transfusion Therapies¹¹	\$44	\$145	(70%)	(70%)	\$223	\$516	(57%)	(58%)
TOTAL BAXTER	\$3,009	\$2,763	9%	3%	\$11,263	\$10,378	9%	4%

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 FVIII 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 pharmaceutical 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 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. Due to Baxter's actual and expected significant continuing cash flows associated with this business, Baxter continued to include the results of operations of the TT business in the company's results of continuing operations through the divestiture date. The TT totals above include sales of TT products through the date of divestiture, as well as post-divestiture 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 December 31, 2007 and 2006
(unaudited)
(\$ in millions)

	Q4 2007			Q4 2006 ¹			% Growth		
	US	International	Total	US	International	Total	US	International	Total
BioScience									
Recombinants ²	\$205	\$258	\$463	\$191	\$214	\$405	7%	21%	14%
Plasma Proteins ³	112	189	301	102	160	262	10%	18%	15%
Antibody Therapy	199	81	280	158	49	207	26%	65%	35%
Regenerative Medicine ⁴	50	45	95	43	35	78	16%	29%	22%
Other ⁵	13	57	70	15	75	90	(13%)	(24%)	(22%)
Total BioScience ⁶	\$579	\$630	\$1,209	\$509	\$533	\$1,042	14%	18%	16%
Medication Delivery									
IV Therapies ⁷	\$117	\$273	\$390	\$113	\$228	\$341	4%	20%	14%
Global Injectables ⁸	219	171	390	234	140	374	(6%)	22%	4%
Infusion Systems	141	95	236	132	89	221	7%	7%	7%
Anesthesia ⁹	83	43	126	64	28	92	30%	54%	37%
Other ¹⁰	4	9	13	6	5	11	(33%)	80%	18%
Total Medication Delivery	\$564	\$591	\$1,155	\$549	\$490	\$1,039	3%	21%	11%
Renal									
PD Therapy	\$71	\$410	\$481	\$67	\$362	\$429	6%	13%	12%
HD Therapy	29	91	120	28	80	108	4%	14%	11%
Total Renal	\$100	\$501	\$601	\$95	\$442	\$537	5%	13%	12%
Baxter excluding Transfusion Therapies	\$1,243	\$1,722	\$2,965	\$1,153	\$1,465	\$2,618	8%	18%	13%
Transfusion Therapies ¹¹	\$31	\$13	\$44	\$78	\$67	\$145	(60%)	(81%)	(70%)
TOTAL BAXTER	\$1,274	\$1,735	\$3,009	\$1,231	\$1,532	\$2,763	3%	13%	9%

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 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 pharmaceutical 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 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. Due to Baxter's actual and expected significant continuing cash flows associated with this business, Baxter continued to include the results of operations of the TT business in the company's results of continuing operations through the divestiture date. The TT totals above include sales of TT products through the date of divestiture, as well as post-divestiture revenues associated with manufacturing, distribution and other services provided by the company to the buyer of the TT business post-divestiture.