

GAAP

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
(unaudited)
(in millions, except per share data)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2005	2004	Change	2005	2004	Change
CONTINUING OPERATIONS:						
NET SALES	\$2,398	\$2,320	3%	\$7,358	\$6,908	7%
GROSS PROFIT	1,010	963	5%	3,092	2,795	11%
% to Sales	42.1%	41.5%	0.6 pts	42.0%	40.5%	1.5 pts
MARKETING AND ADMINISTRATIVE EXPENSES	491	462	6%	1,511	1,460	3%
% to Sales	20.5%	19.9%	0.6 pts	20.5%	21.1%	(0.6 pts)
RESEARCH AND DEVELOPMENT EXPENSES	133	124	7%	399	389	3%
SPECIAL CHARGES, NET	(5)	-	NM	(32)	543	(106%)
OPERATING INCOME	391	377	4%	1,214	403	201%
% to Sales	16.3%	16.3%	- pts	16.5%	5.8%	10.7 pts
INTEREST, NET	31	20	55%	95	66	44%
OTHER EXPENSE, NET	10	11	(9%)	59	74	(20%)
INCOME BEFORE INCOME TAXES	350	346	1%	1,060	263	303%
INCOME TAX EXPENSE (BENEFIT)	234	87	169%	396	(14)	NM
INCOME FROM CONTINUING OPERATIONS	\$116	\$259	(55%)	\$664	\$277	140%
BASIC EPS FROM CONTINUING OPERATIONS	\$0.19	\$0.42	(55%)	\$1.07	\$0.45	138%
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.18	\$0.42	(57%)	\$1.06	\$0.45	136%
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	622	615		621	613	
Diluted	632	619		627	617	

RECONCILIATION TO NET INCOME

Income from continuing operations	\$116	\$259	\$664	\$277
Discontinued operations	-	17	-	5
Net income	\$116	\$276	\$664	\$282

NM - Not meaningful

ADJUSTED

BAXTER INTERNATIONAL INC.
Adjusted Consolidated Statements of Income
(unaudited)
(in millions, except per share data)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2005	2004	Change	2005	2004	Change
CONTINUING OPERATIONS:						
NET SALES	\$2,398	\$2,320	3%	\$7,358	\$6,908	7%
GROSS PROFIT	1,037	963	8%	3,119	2,840	10%
% to Sales	43.2%	41.5%	1.7 pts	42.4%	41.1%	1.3 pts
MARKETING AND ADMINISTRATIVE EXPENSES	490	462	6%	1,510	1,405	7%
% to Sales	20.4%	19.9%	0.5 pts	20.5%	20.3%	0.2 pts
RESEARCH AND DEVELOPMENT EXPENSES	133	124	7%	399	389	3%
OPERATING INCOME	414	377	10%	1,210	1,046	16%
% to Sales	17.3%	16.3%	1.0 pts	16.4%	15.1%	1.3 pts
INTEREST, NET	31	20	55%	95	66	44%
OTHER EXPENSE, NET	10	11	(9%)	59	59	-%
INCOME BEFORE INCOME TAXES	373	346	8%	1,056	921	15%
INCOME TAX EXPENSE	77	87	(11%)	227	230	(1%)
INCOME FROM CONTINUING OPERATIONS	\$296	\$259	14%	\$829	\$691	20%
BASIC EPS FROM CONTINUING OPERATIONS	\$0.48	\$0.42	14%	\$1.34	\$1.13	19%
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.47	\$0.42	12%	\$1.32	\$1.12	18%
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	622	615		621	613	
Diluted	632	619		627	617	

RECONCILIATION OF ADJUSTED AMOUNTS TO GAAP AMOUNTS

Net Income				
Adjusted net income from continuing operations	\$296	\$259	\$829	\$691
Special items	(180)	-	(165)	(414)
Discontinued operations	-	17	-	5
GAAP net income	\$116	\$276	\$664	\$282
Diluted EPS				
Adjusted net income from continuing operations	\$0.47	\$0.42	\$1.32	\$1.12
Special items	(0.29)	-	(0.26)	(0.67)
Discontinued operations	-	0.03	-	0.01
GAAP net income	\$0.18	\$0.45	\$1.06	\$0.46

Non-GAAP Financial Measures: The non-GAAP (generally accepted accounting principles) financial measures contained in this press release (including the presentation above of 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 performance, and in setting performance compensation targets.

GAAP to ADJUSTED RECONCILIATION - Quarter
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BAXTER INTERNATIONAL INC.
 Consolidated Statements of Income
 Reconciliation of GAAP to Adjusted
 Three Months Ended September 30, 2005 and 2004
 (unaudited)
 (in millions, except per share data)

	Three Months Ended September 30, 2005			Three Months Ended September 30, 2004		
	GAAP	Special Items	Adjusted	GAAP	Special Items	Adjusted
CONTINUING OPERATIONS:						
NET SALES	\$2,398		\$2,398	\$2,320		\$2,320
GROSS PROFIT	1,010	\$27 (A)	1,037	963		963
MARKETING AND ADMINISTRATIVE EXPENSES	491	1 (A)	490	462		462
RESEARCH AND DEVELOPMENT EXPENSES	133		133	124		124
SPECIAL CHARGES, NET	(5)	(5) (B)	-	-		-
OPERATING INCOME	391	23	414	377		377
INTEREST, NET	31		31	20		20
OTHER EXPENSE, NET	10		10	11		11
INCOME BEFORE INCOME TAXES	350	23	373	346		346
INCOME TAX EXPENSE	234	157 (C)	77	87		87
INCOME FROM CONTINUING OPERATIONS	\$116	\$180	\$296	\$259		\$259
BASIC EPS FROM CONTINUING OPERATIONS	\$0.19	\$0.29	\$0.48	\$0.42		\$0.42
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.18	\$0.29	\$0.47	\$0.42		\$0.42
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	622		622	615		615
Diluted	632		632	619		619

(A) Hemodialysis instruments charge	\$ 28
(B) Restructuring reserve adjustments	(\$5)
(C) Tax benefit on hemodialysis instruments charge	(\$8)
Tax expense on restructuring reserve adjustments	2
Tax expense on repatriation of foreign earnings	163
Total income tax expense	\$ 157

GAAP to ADJUSTED RECONCILIATION - Year-to-

BAXTER INTERNATIONAL INC.
 Consolidated Statements of Income
 Reconciliation of GAAP to Adjusted
 Nine Months Ended September 30, 2005 and 2004
 (unaudited)
 (in millions, except per share data)

	Nine Months Ended September 30, 2005			Nine Months Ended September 30, 2004		
	GAAP	Special Items	Adjusted	GAAP	Special Items	Adjusted
CONTINUING OPERATIONS:						
NET SALES	\$7,358		\$7,358	\$6,908		\$6,908
GROSS PROFIT	3,092	\$27 (A)	3,119	2,795	\$45 (D)	2,840
MARKETING AND ADMINISTRATIVE EXPENSES	1,511	1 (A)	1,510	1,460	55 (E)	1,405
RESEARCH AND DEVELOPMENT EXPENSES	399		399	389		389
SPECIAL CHARGES, NET	(32)	(32) (B)	-	543	543 (F)	-
OPERATING INCOME	1,214	(4)	1,210	403	643	1,046
INTEREST, NET	95		95	66		66
OTHER EXPENSE, NET	59		59	74	15 (G)	59
INCOME BEFORE INCOME TAXES	1,060	(4)	1,056	263	658	921
INCOME TAX EXPENSE (BENEFIT)	396	169 (C)	227	(14)	(244) (H)	230
INCOME FROM CONTINUING OPERATIONS	\$664	\$165	\$829	\$277	\$414	\$691
BASIC EPS FROM CONTINUING OPERATIONS	\$1.07	\$0.27	\$1.34	\$0.45	\$0.68	\$1.13
DILUTED EPS FROM CONTINUING OPERATIONS	\$1.06	\$0.26	\$1.32	\$0.45	\$0.67	\$1.12
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	621		621	613		613
Diluted	627		627	617		617

(A) Hemodialysis instruments charge	\$ 28
(B) Pump repairs and replacements	\$ 77
Restructuring reserve adjustments	(109)
Total special charges, net	(32)
(C) Tax benefit on hemodialysis instruments charge	(\$8)
Tax expense on special charges, net	14
Tax expense on repatriation of foreign earnings	163
Total income tax expense	\$ 169

(D) Inventory reserves	\$ 28
Excess cash flow hedges	17
Total	\$ 45
(E) Loan and receivable reserves	\$ 55
(F) Restructuring charge	\$ 543
(G) Asset impairments	\$ 15
(H) Tax benefit on restructuring charge	(\$149)
Reversal of tax reserves	(55)
Tax benefit on other charges	(40)
Total income tax benefit	(\$244)

BAXTER INTERNATIONAL INC.
Cash Flows from Continuing Operations and Changes in Net Debt
(unaudited)
(\$ in millions)

Cash Flows from Continuing Operations (Brackets denote cash outflows)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Income from continuing operations	\$116	\$259	\$664	\$277
Adjustments				
Depreciation and amortization	145	150	437	445
Deferred income taxes	80	(35)	199	(238)
Restructuring and hemodialysis charges, net	23	-	(81)	543
Infusion pump charge	-	-	77	-
Other	24	4	57	151
Changes in balance sheet items				
Receivables	98	7	118	(155)
Inventories	(22)	31	68	(44)
Accounts payable and accrued liabilities	52	(41)	(273)	(270)
Restructuring payments	(22)	(74)	(95)	(136)
Other	42	(24)	144	(44)
Cash flows from continuing operations	\$536	\$277	\$1,315	\$529

Changes in Net Debt Increase (decrease)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Net debt, beginning of period	\$3,061	\$3,874	\$3,185	\$3,649
Cash flows from continuing operations	(536)	(277)	(1,315)	(529)
Capital expenditures	116	134	279	363
Dividends	-	-	359	361
Acquisitions, net	14	-	14	20
Purchases of treasury stock	-	-	-	18
Other, including the effect of exchange rate changes	(5)	36	128	(115)
Increase (decrease) in net debt	(411)	(107)	(535)	118
Net debt, September 30	\$2,650	\$3,767	\$2,650	\$3,767

Key statistics, September 30:				
Days sales outstanding	61.0	63.9	61.0	63.9
Inventory turns	2.7	2.5	2.7	2.5
Net-debt-to-capital ratio (A)	25.3%	38.3%	25.3%	38.3%

(A) The net-debt-to-capital ratio was calculated in accordance with the company's primary credit agreements, which give 70% equity credit to the company's December 2002 \$1.25 billion issuance of equity units.

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

	September 30, 2005	December 31, 2004
<u>ASSETS</u>		
Cash and equivalents	\$1,712	\$1,109
Receivables	1,863	2,091
Inventories	1,948	2,135
Other current assets (1)	556	684
Total current assets	6,079	6,019
Property, plant and equipment, net	4,114	4,369
Other long-term assets (1)	3,590	3,759
Total assets	\$13,783	\$14,147
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Short-term debt (2)	\$1,354	\$361
Other current liabilities (1)	2,917	3,925
Long-term debt	3,008	3,933
Other long-term liabilities (1)	2,128	2,223
Stockholders' equity	4,376	3,705
Total liabilities and stockholders' equity	\$ 13,783	\$14,147

(1) The following is a summary of the company's cross-currency swap assets (liabilities).

	September 30, 2005	December 31, 2004
<u>Original swaps</u>		
Other current liabilities	\$ -	(\$465)
Other long-term liabilities	(540)	(831)
Total	(540)	(1,296)
<u>Mirror swaps</u>		
Other current assets	-	109
Other long-term assets	-	20
Other long-term liabilities	(102)	(5)
Total	(102)	124
Net total of all cross-currency swaps	(\$642)	(\$1,172)

Note: As further discussed in the company's SEC filings, during the fourth quarter of 2004 the company executed offsetting or mirror swaps. These mirror swaps fix the net amount the company will ultimately pay to settle the swaps subject to this strategy. After execution of the mirror swaps, as the market value of the fixed portion of the original portfolio decreases, the market value of the mirror swaps increases, and vice versa. At September 30, 2005, approximately 52% of the net swaps liability has been fixed by the mirror swaps.

During the nine months ended September 30, 2005, the company settled certain swap agreements (and related mirror swaps, as applicable), and made net payments totaling \$379 million. In accordance with GAAP, \$432 million of outflows were classified in the financing section of the statement of cash flows, and \$53 million of inflows were classified in the operating section of the statement of cash flows.

(2) The increase in short-term debt from December 31, 2004 to September 30, 2005 principally related to the reclassification of approximately \$800 million of notes due in 2006 from long-term to short-term.

Baxter International Inc.
Net Sales from Continuing Operations
Period Ending September 30, 2005
(unaudited)

(\$ in millions)	Q3 2005	Q3 2004	% Growth @ Actual Rates	% Growth @ Constant Rates	YTD 2005	YTD 2004	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience								
United States	\$449	\$408	10%	10%	\$1,285	\$1,196	7%	7%
International	501	441	14%	12%	1,557	1,356	15%	10%
Total	\$950	\$849	12%	11%	\$2,842	\$2,552	11%	9%
Medication Delivery								
United States	\$531	\$593	(10%)	(10%)	\$1,702	\$1,716	(1%)	(1%)
International	426	393	8%	5%	1,316	1,202	9%	5%
Total	\$957	\$986	(3%)	(4%)	\$3,018	\$2,918	3%	1%
Renal								
United States	\$96	\$101	(5%)	(5%)	\$289	\$303	(5%)	(5%)
International	395	384	3%	-%	1,209	1,135	7%	2%
Total	\$491	\$485	1%	(1%)	\$1,498	\$1,438	4%	-%
Baxter International Inc.								
United States	\$1,076	\$1,102	(2%)	(2%)	\$3,276	\$3,215	2%	2%
International	1,322	1,218	9%	6%	4,082	3,693	11%	6%
Total	\$2,398	\$2,320	3%	2%	\$7,358	\$6,908	7%	4%

Baxter International Inc.
Key Product Line Sales
Period Ending September 30, 2005
(unaudited)

(\$ in millions)	Q3 2005	Q3 2004	% Growth @ Actual Rates	% Growth @ Constant Rates	YTD 2005	YTD 2004	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience								
Recombinants	\$392	\$341	15%	15%	\$1,133	\$953	19%	16%
Plasma Proteins ¹	242	254	(5%)	(6%)	767	759	1%	(2%)
Antibody Therapy	123	82	50%	50%	305	252	21%	19%
Transfusion Therapies	134	124	8%	6%	407	400	2%	(1%)
Other ²	59	48	23%	23%	230	188	22%	19%
Total BioScience	\$950	\$849	12%	11%	\$2,842	\$2,552	11%	9%
Medication Delivery								
IV Therapies ³	\$301	\$275	9%	7%	\$909	\$845	8%	4%
Drug Delivery	192	198	(3%)	(4%)	622	588	6%	5%
Infusion Systems	184	248	(26%)	(27%)	659	669	(1%)	(3%)
Anesthesia	259	248	4%	4%	772	749	3%	2%
Other ⁴	21	17	24%	18%	56	67	(16%)	(19%)
Total Medication Delivery ⁵	\$957	\$986	(3%)	(4%)	\$3,018	\$2,918	3%	1%
Renal								
PD Therapy	\$381	\$361	6%	3%	\$1,140	\$1,063	7%	4%
HD Therapy	105	123	(15%)	(17%)	345	365	(5%)	(10%)
Other	5	1	400%	400%	13	10	30%	30%
Total Renal	\$491	\$485	1%	(1%)	\$1,498	\$1,438	4%	-%
TOTAL BAXTER	\$2,398	\$2,320	3%	2%	\$7,358	\$6,908	7%	4%

¹ Includes plasma-derived hemophilia (FVII, FVIII, FIX and FEIBA), albumin, biosurgery (Tisseel) and other plasma-based products.

² Principally includes vaccines and non-plasma-based biosurgery products (FloSeal & CoSeal).

³ Principally includes intravenous solutions and nutritional products.

⁴ Principally includes other hospital-distributed products.

⁵ Sales of oncology products, which were previously included in Other, are now reported in Drug Delivery, Infusion Systems or Anesthesia, depending on the product. All prior year sales data has been reclassified to reflect this change.

Baxter International Inc.
Key Product Line Sales -- US/International
Period Ending September 30, 2005
(unaudited)

(\$ in millions)	Q3 2005			Q3 2004			% Growth		
	US	International	Total	US	International	Total	US	International	Total
BioScience									
Recombinants	\$170	\$222	\$392	\$153	\$188	\$341	11%	18%	15%
Plasma Proteins ¹	104	138	242	135	119	254	(23%)	16%	(5%)
Antibody Therapy	83	40	123	49	33	82	69%	21%	50%
Transfusion Therapies	66	68	134	62	62	124	6%	10%	8%
Other ²	26	33	59	9	39	48	189%	(15%)	23%
Total BioScience	\$449	\$501	\$950	\$408	\$441	\$849	10%	14%	12%
Medication Delivery									
IV Therapies ³	\$101	\$200	\$301	\$93	\$182	\$275	9%	10%	9%
Drug Delivery	120	72	192	136	62	198	(12%)	16%	(3%)
Infusion Systems	118	66	184	179	69	248	(34%)	(4%)	(26%)
Anesthesia	184	75	259	180	68	248	2%	10%	4%
Other ⁴	8	13	21	5	12	17	60%	8%	24%
Total Medication Delivery ⁵	\$531	\$426	\$957	\$593	\$393	\$986	(10%)	8%	(3%)
Renal									
PD Therapy	\$65	\$316	\$381	\$65	\$296	\$361	-%	7%	6%
HD Therapy	30	75	105	36	87	123	(17%)	(14%)	(15%)
Other	1	4	5	-	1	1	NM	300%	400%
Total Renal	\$96	\$395	\$491	\$101	\$384	\$485	(5%)	3%	1%
TOTAL BAXTER	\$1,076	\$1,322	\$2,398	\$1,102	\$1,218	\$2,320	(2%)	9%	3%

¹ Includes plasma-derived hemophilia (FVII, FVIII, FIX and FEIBA), albumin, biosurgery (Tisseel) and other plasma-based products.

² Principally includes vaccines and non-plasma-based biosurgery products (FloSeal & CoSeal).

³ Principally includes intravenous solutions and nutritional products.

⁴ Principally includes other hospital-distributed products.

⁵ Sales of oncology products, which were previously included in Other, are now reported in Drug Delivery, Infusion Systems or Anesthesia, depending on the product. All prior year sales data has been reclassified to reflect this change.