

PRO FORMA

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2004	2003	Change	2004	2003	Change
CONTINUING OPERATIONS:						
NET SALES	\$2,379	\$2,163	10%	\$4,588	\$4,160	10%
GROSS PROFIT	984	973	1%	1,878	1,853	1%
% to Sales	41.4%	45.0%	(3.6 pts)	40.9%	44.5%	(3.6 pts)
MARKETING AND ADMINISTRATIVE EXPENSES	477	464	3%	941	877	7%
% to Sales	20.1%	21.5%	(1.4 pts)	20.5%	21.1%	(0.6 pts)
RESEARCH AND DEVELOPMENT EXPENSES	129	139	(7%)	265	275	(4%)
OPERATING INCOME	378	370	2%	672	701	(4%)
% to Sales	15.9%	17.1%	(1.2 pts)	14.6%	16.9%	(2.3 pts)
INTEREST, NET	25	27	(7%)	46	46	0%
OTHER EXPENSE	27	14	93%	48	40	20%
INCOME BEFORE INCOME TAXES	326	329	(1%)	578	615	(6%)
INCOME TAX EXPENSE	81	78	4%	144	147	(2%)
INCOME FROM CONTINUING OPERATIONS	\$245	\$251	(2%)	\$434	\$468	(7%)
BASIC EPS FROM CONTINUING OPERATIONS	\$0.40	\$0.42	(5%)	\$0.71	\$0.78	(9%)
DILUTED EPS FROM CONTINUING OPERATIONS	\$0.40	\$0.41	(2%)	\$0.70	\$0.77	(9%)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING						
Basic	613	598		613	598	
Diluted	618	613		617	611	

RECONCILIATION OF PRO FORMA AMOUNTS TO GAAP AMOUNTS				
Net Income				
Pro forma net income from continuing operations	\$245	\$251	\$434	\$468
Restructuring charges	(394)	(202)	(394)	(202)
Other charges	(20)	-	(20)	-
Discontinued operations	(1)	(11)	(12)	(12)
GAAP net income (loss)	(\$170)	\$38	\$8	\$254
Diluted EPS				
Pro forma net income from continuing operations	\$0.40	\$0.41	\$0.70	\$0.77
Restructuring charges	(0.64)	(0.33)	(0.64)	(0.33)
Other charges	(0.04)	-	(0.03)	-
Discontinued operations	-	(0.02)	(0.02)	(0.02)
GAAP net income (loss)	(\$0.28)	\$0.06	\$0.01	\$0.42

As noted in the press release, the company plans to restate its financial results back to 2001. The prior quarter and/or year-to-date results shown above do not yet reflect the restatement or the effects thereof and should be read accordingly.

Non-GAAP Financial Measures: In some cases, certain unusual or non-recurring items can be so significant as to obscure patterns and trends of the company's business in total. 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 non-recurring. Therefore, management believes that these non-GAAP financial measures facilitate a fuller analysis of the company's results of operations. Management believes that the presentation of these non-GAAP financial measures provide useful information to investors regarding results of operations as these non-GAAP financial measures allow investors to better evaluate ongoing business performance. Management uses these non-GAAP financial measures internally to monitor performance.