

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Three Months Ended December 31, 2009 and 2008
(unaudited)
(in millions, except per share and percentage data)

	Three Months Ended December 31,		
	2009	2008	Change
NET SALES	\$3,470	\$3,131	11%
COST OF SALES	1,703 ^A	1,529	11%
GROSS MARGIN	1,767	1,602	10%
<i>% of Net Sales</i>	<i>50.9%</i>	<i>51.2%</i>	<i>(0.3 pts)</i>
MARKETING AND ADMINISTRATIVE EXPENSES	788 ^A	674	17%
<i>% of Net Sales</i>	<i>22.7%</i>	<i>21.5%</i>	<i>1.2 pts</i>
RESEARCH AND DEVELOPMENT EXPENSES	246	226 ^B	9%
<i>% of Net Sales</i>	<i>7.1%</i>	<i>7.2%</i>	<i>(0.1 pt)</i>
NET INTEREST EXPENSE	25	14	79%
OTHER (INCOME) EXPENSE, NET	(7)	1	N/M
PRE-TAX INCOME	715	687	4%
INCOME TAX EXPENSE	139	118 ^C	18%
<i>% of Pre-Tax Income</i>	<i>19.4%</i>	<i>17.2%</i>	<i>2.2 pts</i>
NET INCOME	576	569	1%
LESS: NONCONTROLLING INTERESTS	4	-	N/A
NET INCOME ATTRIBUTABLE TO BAXTER	\$572	\$569	1%
BASIC EPS	\$0.95	\$0.92	3%
DILUTED EPS	\$0.94	\$0.91	3%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	604	619	
Diluted	611	628	
ADJUSTED PRE-TAX INCOME (excluding specified items)	\$794 ^D	\$694 ^D	14%
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER (excluding specified items)	\$628 ^D	\$574 ^D	9%
ADJUSTED DILUTED EPS (excluding specified items)	\$1.03 ^D	\$0.91 ^D	13%

^A A charge was taken in 2009 of \$79 million (\$56 million on an after-tax basis, or \$0.09 per diluted share), which primarily related to cost optimization efforts. The charge impacted cost of sales and marketing and administrative expenses by \$30 million and \$49 million, respectively.

^B Research and development (R&D) expenses in 2008 included an in-process R&D (IPR&D) charge of \$7 million (\$5 million on an after-tax basis, or less than \$0.01 per diluted share).

^C Income tax expense in 2008 included a benefit of \$8 million, or \$0.01 per diluted share, related to the extension of R&D tax credits in the United States.

^D Refer to page 9 for a description of the adjustments and a reconciliation of GAAP (generally accepted accounting principles) measures.

Note: The consolidated statements of income reflect the January 1, 2009 adoption of a new accounting standard that requires a company to present a consolidated net income measure that includes the amount attributable to noncontrolling interests (historically referred to as minority interests) for all periods presented. Prior to January 1, 2009, the noncontrolling interests' share of net income was included in other expense, net.

BAXTER INTERNATIONAL INC.
Notes to Consolidated Statements of Income
Three Months Ended December 31, 2009 and 2008
Description of Adjustments and Reconciliation of GAAP to Non-GAAP Measures
(unaudited)
(in millions, except per share and percentage data)

2009 description of adjustment and reconciliation of GAAP to Non-GAAP

The company's GAAP results for the three months ended December 31, 2009 included a cost optimization charge, which impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income Attributable to Baxter	Diluted EPS
GAAP	\$715	\$139	\$572	\$0.94
Cost optimization charge ¹	79	23	56	0.09
Excluding specified item	\$794	\$162	\$628	\$1.03

Effective tax rate

20.4%

- ¹ Of the charge, \$30 million was included in the cost of sales line and \$49 million was included in the marketing and administrative expenses line within the accompanying statement of income. Excluding this item, adjusted gross margin and the adjusted gross margin percentage were \$1.80 billion and 51.8%, respectively, and adjusted marketing and administrative expenses were \$739 million, or 21.3% of net sales.

2008 description of adjustment and reconciliation of GAAP to Non-GAAP

The company's GAAP results for the three months ended December 31, 2008 included an IPR&D charge, which impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income Attributable to Baxter	Diluted EPS
GAAP	\$687	\$118	\$569	\$0.91
IPR&D charge ¹	7	2	5	-
Excluding specified item	\$694	\$120	\$574	\$0.91

Effective tax rate

17.3%

- ¹ Included in the R&D expenses line within the accompanying consolidated statement of income. Excluding this item, adjusted R&D expenses were \$219 million, or 7.0% of net sales.

For more information on the company's use of non-GAAP financial measures in this press release, please see the company's Current Report on Form 8-K filed with the Securities and Exchange Commission on the date of this press release.

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Twelve Months Ended December, 2009 and 2008
(unaudited)
(in millions, except per share and percentage data)

	Twelve Months Ended December 31,		
	2009	2008	Change
NET SALES	\$12,562	\$12,348	2%
COST OF SALES	6,037 ^{A, B}	6,218 ^A	(3%)
GROSS MARGIN	6,525	6,130	6%
% of Net Sales	51.9%	49.6%	2.3 pts
MARKETING AND ADMINISTRATIVE EXPENSES	2,731 ^B	2,698	1%
% of Net Sales	21.7%	21.8%	(0.1 pt)
RESEARCH AND DEVELOPMENT EXPENSES	917	868 ^C	6%
% of Net Sales	7.3%	7.0%	0.3 pts
NET INTEREST EXPENSE	98	76	29%
OTHER EXPENSE, NET	45 ^D	26 ^D	73%
PRE-TAX INCOME	2,734	2,462	11%
INCOME TAX EXPENSE	519	437 ^E	19%
% of Pre-Tax Income	19.0%	17.7%	1.3 pts
NET INCOME	2,215	2,025	9%
LESS: NONCONTROLLING INTERESTS	10	11	(9%)
NET INCOME ATTRIBUTABLE TO BAXTER	\$2,205	\$2,014	9%
BASIC EPS	\$3.63	\$3.22	13%
DILUTED EPS	\$3.59	\$3.16	14%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	607	625	
Diluted	614	637	
ADJUSTED PRE-TAX INCOME (excluding specified items)	\$2,894 ^F	\$2,637 ^F	10%
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER (excluding specified items)	\$2,330 ^F	\$2,155 ^F	8%
ADJUSTED DILUTED EPS (excluding specified items)	\$3.80 ^F	\$3.38 ^F	12%

^A Cost of sales in 2009 included a charge of \$27 million (\$22 million on an after-tax basis, or \$0.04 per diluted share) primarily related to planned retirement costs associated with the SYNDEO PCA Syringe Pump. Cost of sales in 2008 included charges totaling \$125 million (\$110 million on an after-tax basis, or \$0.17 per diluted share) related to COLLEAGUE infusion pumps.

^B A charge was taken in 2009 of \$79 million (\$56 million on an after-tax basis, or \$0.09 per diluted share), which primarily related to cost optimization efforts. The charge impacted cost of sales and marketing and administrative expenses by \$30 million and \$49 million, respectively.

^C R&D expenses in 2008 included IPR&D charges of \$19 million (\$12 million on an after-tax basis, or \$0.02 per diluted share).

^D Other expense, net in 2009 included an impairment charge of \$54 million (\$47 million on an after-tax basis, or \$0.08 per diluted share) associated with the discontinuation of the company's SOLOMIX drug delivery system in development. Other expense, net in 2008 included an impairment charge of \$31 million (\$19 million on an after-tax basis, or \$0.03 per diluted share) associated with the discontinuation of the CLEARSHOT pre-filled syringe program.

^E Income tax expense in 2008 included a net benefit of \$23 million, or \$0.04 per diluted share, related primarily to the reversal of a valuation allowance and the extension of R&D tax credits in the United States, partially offset by tax expense associated with foreign earnings that the company planned to repatriate to the United States.

^F Refer to page 11 for a description of the adjustments and a reconciliation of GAAP measures.

Note: The consolidated statements of income reflect the January 1, 2009 adoption of a new accounting standard that requires a company to present a consolidated net income measure that includes the amount attributable to noncontrolling interests (historically referred to as minority interests) for all periods presented. Prior to January 1, 2009, the noncontrolling interests' share of net income was included in other expense, net.

BAXTER INTERNATIONAL INC.
Notes to Consolidated Statements of Income
Twelve Months Ended December 31, 2009 and 2008
Description of Adjustments and Reconciliation of GAAP to Non-GAAP Measures
(unaudited)
(in millions, except per share and percentage data)

2009 description of adjustments and reconciliation of GAAP to Non-GAAP

The company's GAAP results for the twelve months ended December 31, 2009 included a cost optimization charge, an impairment charge associated with the discontinuation of the company's SOLOMIX drug delivery system in development and a charge primarily related to planned retirement costs associated with the SYNDEO PCA Syringe Pump, which impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income Attributable to Baxter	Diluted EPS
GAAP	\$2,734	\$519	\$2,205	\$3.59
Cost optimization charge ^{1,2}	79	23	56	0.09
Impairment charge	54	7	47	0.08
Infusion pump charge ¹	27	5	22	0.04
Excluding specified items	\$2,894	\$554	\$2,330	\$3.80

Effective tax rate

19.1%

¹ The infusion pump charge and \$30 million of the cost optimization charge were included in the cost of sales line within the accompanying statement of income. Excluding these items, adjusted gross margin and the adjusted gross margin percentage were \$6.58 billion and 52.4%, respectively.

² Of the charge, \$49 million was included in the marketing and administrative expenses line within the accompanying consolidated statements of income. Excluding this item, adjusted marketing and administrative expenses were \$2.68 billion, or 21.4% of net sales.

2008 description of adjustments and reconciliation of GAAP to Non-GAAP

The company's GAAP results for the twelve months ended December 31, 2008 included charges related to COLLEAGUE infusion pumps, an impairment charge associated with the discontinuation of the CLEARSHOT pre-filled syringe program, and IPR&D charges, which impacted the GAAP results as follows:

	Pre-tax Income	Income Tax Expense	Net Income Attributable to Baxter	Diluted EPS
GAAP	\$2,462	\$437	\$2,014	\$3.16
Infusion pump charges ¹	125	15	110	0.17
Impairment charge	31	12	19	0.03
IPR&D charges ²	19	7	12	0.02
Excluding specified items	\$2,637	\$471	\$2,155	\$3.38

Effective tax rate

17.9%

¹ Included in the cost of sales line within the accompanying consolidated statements of income. Excluding this item, adjusted gross margin was \$6.26 billion and the adjusted gross margin percentage was 50.7%.

² Included in the R&D expenses line within the accompanying consolidated statements of income. Excluding this item, adjusted R&D expenses were \$849 million, or 6.9% of net sales.

For more information on the company's use of non-GAAP financial measures in this press release, please see the company's Current Report on Form 8-K filed with the Securities and Exchange Commission on the date of this press release.

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,	
	2009	2008	2009	2008
Net income	\$576	\$569	\$2,215	\$2,025
Adjustments				
Depreciation and amortization	172	150	638	631
Deferred income taxes	79	116	267	280
Stock compensation	34	35	140	146
Realized excess tax benefits from stock issued under employee benefit plans ¹	(8)	(84)	(96)	(112)
Charges ²	79	7	160	175
Other	(34)	24	1	40
Changes in balance sheet items				
Accounts and other current receivables	(59)	(12)	(167)	(98)
Inventories	56	44	(60)	(163)
Accounts payable and accrued liabilities	78	(3)	(85)	(239)
Restructuring payments	(10)	(15)	(45)	(50)
Other ³	23	(211)	(59)	(120)
Cash flows from operations	\$986	\$620	\$2,909	\$2,515

Changes in Net Debt				
Increase (decrease)				
	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Net debt, beginning of period	\$1,598	\$1,229	\$1,625	\$550
Cash flows from operations	(986)	(620)	(2,909)	(2,515)
Capital expenditures	380	339	1,014	954
Dividends	157	135	632	546
Proceeds and realized excess tax benefits from stock issued under employee benefit plans	(92)	(133)	(381)	(680)
Purchases of treasury stock	250	464	1,216	1,986
Acquisitions of and investments in businesses and technologies	-	26	156	99
Payments related to settlements of cross-currency swaps	-	-	-	542
Other, including the effect of exchange rate changes	58	185	12	143
(Decrease) increase in net debt	(233)	396	(260)	1,075
Net debt, December 31	\$1,365	\$1,625	\$1,365	\$1,625

Key statistics, December 31:				
Days sales outstanding	51.2	50.6	51.2	50.6
Inventory turns	2.5	2.5	2.5	2.5

Selected balance sheet information:	December 31, 2009	December 31, 2008
Cash and equivalents	\$2,786	\$2,131
Accounts and other current receivables	\$2,302	\$1,980
Inventories	\$2,557	\$2,361
Accounts payable and accrued liabilities	\$3,753	\$3,241

¹ In accordance with GAAP, realized excess tax benefits from stock issued under employee benefit plans are presented in the statement of cash flows as an outflow within the operating section and an inflow within the financing section.

² Charges above consist of the following items:

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Cost optimization charge	\$79	\$-	\$79	\$-
Impairment charges	-	-	54	31
Infusion pump charges	-	-	27	125
IPR&D charges	-	7	-	19
Charges	\$79	\$7	\$160	\$175

³ Other cash flows from operations in the first quarter of 2009 included a planned contribution of \$100 million to the company's pension plan in the United States. Other cash flows from operations in the fourth quarter of 2008 included contributions to the company's pension plans of approximately \$240 million.

BAXTER INTERNATIONAL INC.
Net Sales
Periods Ending December 31, 2009 and 2008
(unaudited)
(\$ in millions)

	Q4 2009	Q4 2008	% Growth @ Actual Rates	% Growth @ Constant Rates	YTD 2009	YTD 2008	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience								
United States	\$694	\$647	7%	7%	\$2,662	\$2,401	11%	11%
International	824	712	16%	7%	2,911	2,907	0%	9%
Total	\$1,518	\$1,359	12%	7%	\$5,573	\$5,308	5%	10%
Medication Delivery								
United States	\$615	\$590	4%	4%	\$2,225	\$2,145	4%	4%
International	697	584	19%	10%	2,424	2,415	0%	10%
Total	\$1,312	\$1,174	12%	7%	\$4,649	\$4,560	2%	7%
Renal								
United States	\$100	\$98	2%	2%	\$385	\$388	(1%)	(1%)
International	525	459	14%	7%	1,881	1,918	(2%)	5%
Total	\$625	\$557	12%	6%	\$2,266	\$2,306	(2%)	4%
Baxter excluding Transfusion Therapies								
United States	\$1,409	\$1,335	6%	6%	\$5,272	\$4,934	7%	7%
International	2,046	1,755	17%	8%	7,216	7,240	0%	8%
Total	\$3,455	\$3,090	12%	7%	\$12,488	\$12,174	3%	7%
Transfusion Therapies¹								
United States	\$10	\$17	(41%)	(41%)	\$45	\$110	(59%)	(59%)
International	5	24	(79%)	(79%)	29	64	(55%)	(47%)
Total	\$15	\$41	(63%)	(63%)	\$74	\$174	(57%)	(55%)
Baxter International Inc.								
United States	\$1,419	\$1,352	5%	5%	\$5,317	\$5,044	5%	5%
International	2,051	1,779	15%	7%	7,245	7,304	(1%)	7%
Total	\$3,470	\$3,131	11%	6%	\$12,562	\$12,348	2%	7%

¹ Represents revenues associated with manufacturing, distribution and other services provided by the company to the buyer of the Transfusion Therapies (TT) business after the February 2007 divestiture.

BAXTER INTERNATIONAL INC.
Key Product Line Sales
Periods Ending December 31, 2009 and 2008
(unaudited)
(\$ in millions)

	Q4 2009	Q4 2008	% Growth @ Actual Rates	% Growth @ Constant Rates	YTD 2009	YTD 2008	% Growth @ Actual Rates	% Growth @ Constant Rates
BioScience								
Recombinants	\$564	\$506	11%	6%	\$2,058	\$1,966	5%	9%
Plasma Proteins	380	330	15%	10%	1,338	1,219	10%	17%
Antibody Therapy	351	309	14%	10%	1,368	1,217	12%	14%
Regenerative Medicine	125	101	24%	18%	442	408	8%	13%
Other ¹	98	113	(13%)	(18%)	367	498	(26%)	(20%)
Total BioScience	\$1,518	\$1,359	12%	7%	\$5,573	\$5,308	5%	10%
Medication Delivery								
IV Therapies	\$438	\$393	11%	6%	\$1,562	\$1,575	(1%)	6%
Global Injectables	479	420	14%	9%	1,701	1,584	7%	12%
Infusion Systems	246	222	11%	7%	858	906	(5%)	(2%)
Anesthesia	140	131	7%	4%	492	464	6%	10%
Other	9	8	13%	25%	36	31	16%	6%
Total Medication Delivery	\$1,312	\$1,174	12%	7%	\$4,649	\$4,560	2%	7%
Renal								
PD Therapy	\$509	\$458	11%	5%	\$1,856	\$1,862	0%	5%
HD Therapy	116	99	17%	11%	410	444	(8%)	0%
Total Renal	\$625	\$557	12%	6%	\$2,266	\$2,306	(2%)	4%
Baxter excluding Transfusion Therapies	\$3,455	\$3,090	12%	7%	\$12,488	\$12,174	3%	7%
Transfusion Therapies ²	\$15	\$41	(63%)	(63%)	\$74	\$174	(57%)	(55%)
Total Baxter	\$3,470	\$3,131	11%	6%	\$12,562	\$12,348	2%	7%

¹ Principally includes vaccines and sales of plasma to third parties.

² Represents revenues associated with manufacturing, distribution and other services provided by the company to the buyer of the TT business after the February 2007 divestiture.

BAXTER INTERNATIONAL INC.
Key Product Line Sales by US and International
Three-Month Periods Ending December 31, 2009 and 2008
(unaudited)
(\$ in millions)

	Q4 2009			Q4 2008			% Growth		
	US	International	Total	US	International	Total	US	International	Total
BioScience									
Recombinants	\$242	\$322	\$564	\$219	\$287	\$506	11%	12%	11%
Plasma Proteins	136	244	380	132	198	330	3%	23%	15%
Antibody Therapy	237	114	351	228	81	309	4%	41%	14%
Regenerative Medicine	66	59	125	56	45	101	18%	31%	24%
Other ¹	13	85	98	12	101	113	8%	(16%)	(13%)
Total BioScience	\$694	\$824	\$1,518	\$647	\$712	\$1,359	7%	16%	12%
Medication Delivery									
IV Therapies	\$129	\$309	\$438	\$123	\$270	\$393	5%	14%	11%
Global Injectables	252	227	479	242	178	420	4%	28%	14%
Infusion Systems	144	102	246	134	88	222	7%	16%	11%
Anesthesia	90	50	140	88	43	131	2%	16%	7%
Other	0	9	9	3	5	8	(100%)	80%	13%
Total Medication Delivery	\$615	\$697	\$1,312	\$590	\$584	\$1,174	4%	19%	12%
Renal									
PD Therapy	\$79	\$430	\$509	\$76	\$382	\$458	4%	13%	11%
HD Therapy	21	95	116	22	77	99	(5%)	23%	17%
Total Renal	\$100	\$525	\$625	\$98	\$459	\$557	2%	14%	12%
Baxter excluding Transfusion Therapies	\$1,409	\$2,046	\$3,455	\$1,335	\$1,755	\$3,090	6%	17%	12%
Transfusion Therapies ²	\$10	\$5	\$15	\$17	\$24	\$41	(41%)	(79%)	(63%)
Total Baxter	\$1,419	\$2,051	\$3,470	\$1,352	\$1,779	\$3,131	5%	15%	11%

¹ Principally includes vaccines and sales of plasma to third parties.

² Represents revenues associated with manufacturing, distribution and other services provided by the company to the buyer of the TT business after the February 2007 divestiture.