

BAXTER INTERNATIONAL INC
Form 10-Q
August 02, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2012

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 1-4448

BAXTER INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	36-0781620 (I.R.S. Employer Identification No.)
One Baxter Parkway, Deerfield, Illinois (Address of principal executive offices)	60015-4625 (Zip Code)

224-948-2000
(Registrant's telephone number,

including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the registrant's Common Stock, par value \$1.00 per share, outstanding as of July 30, 2012 was 547,231,164 shares.

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FORM 10-Q

For the quarterly period ended June 30, 2012

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Baxter International Inc.

Condensed Consolidated Statements of Income

Condensed Consolidated Statements of Income (unaudited)

(in millions, except per share data)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Net sales	\$3,572	\$3,536	\$6,960	\$6,820
Cost of sales	1,700	1,701	3,374	3,310
Gross margin	1,872	1,835	3,586	3,510
Marketing and administrative expenses	789	765	1,541	1,481
Research and development expenses	306	239	575	453
Net interest expense	22	15	40	25
Other (income) expense, net	(62)	13	(119)	17
Income before income taxes	817	803	1,549	1,534
Income tax expense	156	174	300	328
Net income	661	629	1,249	1,206
Less: Net income attributable to noncontrolling interests		14		21
Net income attributable to Baxter International Inc. (Baxter)	\$ 661	\$ 615	\$1,249	\$1,185
Net income attributable to Baxter per common share				
Basic	\$ 1.20	\$ 1.08	\$ 2.25	\$ 2.07
Diluted	\$ 1.19	\$ 1.07	\$ 2.24	\$ 2.05
Weighted-average number of common shares outstanding				
Basic	550	570	554	573
Diluted	553	575	558	578
Cash dividends declared per common share	\$0.335	\$0.310	\$0.670	\$0.620

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Baxter International Inc.

Condensed Consolidated Statements of Comprehensive Income

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(in millions)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net income	\$661	\$629	\$1,249	\$1,206
Other comprehensive (loss) income, net of tax:				
Currency translation adjustments, net of tax (benefit) expense of (\$29) and \$10 for the three months ended June 30, 2012 and 2011, respectively, and \$2 and \$39 for the six months ended June 30, 2012 and 2011, respectively	(322)	70	(221)	330
Pension and other employee benefits, net of tax expense of \$20 and \$16 for the three months ended June 30, 2012 and 2011, respectively, and \$39 and \$29 for the six months ended June 30, 2012 and 2011, respectively	41	25	73	44
Hedging activities, net of tax (benefit) expense of (\$3) and \$2 for the three months ended June 30, 2012 and 2011, respectively, and \$0 and (\$6) for the six months ended June 30, 2012 and 2011, respectively	(4)	5	1	(8)
Other, net of tax benefit of (\$2) and \$0 for the three months ended June 30, 2012 and 2011, respectively, and \$0 and (\$1) for the six months ended June 30, 2012 and 2011, respectively	(3)	(1)	1	(2)
Total other comprehensive (loss) income, net of tax	(288)	99	(146)	364
Comprehensive income	373	728	1,103	1,570
Less: Comprehensive income attributable to noncontrolling interests		10		18
Comprehensive income attributable to Baxter	\$373	\$718	\$1,103	\$1,552

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Baxter International Inc.

Condensed Consolidated Balance Sheets

Condensed Consolidated Balance Sheets (unaudited)

(in millions, except shares)

		June 30, 2012	December 31, 2011
Current assets	Cash and equivalents	\$ 2,353	\$ 2,905
	Accounts and other current receivables, net	2,225	2,420
	Inventories	2,730	2,628
	Prepaid expenses and other	740	697
	Total current assets	8,048	8,650
Property, plant and equipment, net		5,623	5,525
Other assets	Goodwill	2,467	2,317
	Other intangible assets, net	887	826
	Other	1,421	1,755
	Total other assets	4,775	4,898
Total assets		\$18,446	\$19,073
Current liabilities	Short-term debt	\$ 385	\$ 256
	Current maturities of long-term debt and lease obligations	497	190
	Accounts payable and accrued liabilities	3,988	4,411
	Total current liabilities	4,870	4,857
Long-term debt and lease obligations		4,432	4,749
Other long-term liabilities		2,532	2,639
Commitments and contingencies			
Equity	Common stock, \$1 par value, authorized 2,000,000,000 shares, issued 683,494,944 shares in 2012 and 2011	683	683
	Common stock in treasury, at cost, 135,653,234 shares in 2012 and 122,524,448 shares in 2011	(7,466)	(6,719)
	Additional contributed capital	5,765	5,783
	Retained earnings	10,306	9,429
	Accumulated other comprehensive loss	(2,737)	(2,591)
	Total Baxter shareholders' equity	6,551	6,585
	Noncontrolling interests	61	243
	Total equity	6,612	6,828
Total liabilities and equity		\$18,446	