

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,	
	2005	2004	2005	2004
Net income	\$292	\$106	\$956	\$388
Adjustments				
Depreciation and amortization	144	155	580	601
Deferred income taxes	(17)	119	181	(141)
Restructuring and impairment charges	-	289	(109)	832
Infusion pump and hemodialysis instrument charges	71	-	176	-
Other	4	(10)	57	149
Changes in balance sheet items				
Receivables	45	14	178	(189)
Inventories	20	72	88	33
Accounts payable and accrued liabilities	(18)	77	(305)	(246)
Restructuring payments	(22)	(59)	(117)	(195)
Other	(283)	80	(135)	148
Cash flows from operations	\$236	\$843	\$1,550	\$1,380

Changes in Net Debt Increase (decrease)	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2005	2004	2005	2004
Net debt, beginning of period	\$2,650	\$3,767	\$3,185	\$3,649
Cash flows from operations	(236)	(843)	(1,550)	(1,380)
Capital expenditures	165	195	444	558
Dividends	-	-	359	361
Acquisitions, net	33	-	47	20
Purchases of treasury stock	-	-	-	18
Other, including the effect of exchange rate changes	(115)	66	12	(41)
Decrease in net debt	(153)	(582)	(688)	(464)
Net debt, December 31	\$2,497	\$3,185	\$2,497	\$3,185

Key statistics, December 31:				
Days sales outstanding	55.1	55.3	55.1	55.3
Inventory turns	2.6	2.7	2.6	2.7
Net-debt-to-capital ratio (A)	36.7%	33.5%	36.7%	33.5%

(A) The 2004 net-debt-to-capital ratio was calculated in accordance with the company's primary credit agreements, which gave 70% equity credit to the company's December 2002 \$1.25 billion issuance of equity units. As originally scheduled, in November 2005, the \$1.25 billion senior notes included in the equity units were remarketed, and the company repurchased \$1 billion of the remarketed notes. In February 2006, the purchase contracts included in the equity units will mature, and the company will receive \$1.25 billion in cash and issue between 35.0 to 43.4 million common shares, based on a specified exchange ratio (if the average price of the company's stock over the 20-day trading period ending on February 13th exceeds \$35.69, then 35 million shares will be issued). Management plans to use a portion of the cash proceeds to pay down maturing debt. As a result of these cash proceeds, the company's net-debt-to-capital ratio will decrease significantly during the first quarter of 2006. Holding all other variables constant, the February 2006 \$1.25 billion cash proceeds would reduce the net-debt-to-capital ratio at December 31, 2005 by 18.4 percentage points, from 36.7% to 18.3%.