

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		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Income (loss) from continuing operations	\$324	(\$169)	\$548	\$18
Adjustments				
Depreciation and amortization	145	146	292	295
Deferred income taxes	96	(213)	119	(203)
Special charges, net	(27)	543	(27)	543
Other	15	124	33	147
Changes in balance sheet items				
Accounts receivable	(24)	(66)	20	(162)
Inventories	71	(9)	90	(75)
Accounts payable and accrued liabilities	(80)	23	(325)	(229)
Restructuring payments	(30)	(25)	(73)	(62)
Other	18	(49)	102	(20)
Cash flows from continuing operations	\$508	\$305	\$779	\$252

Changes in Net Debt Increase (decrease)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Net debt, beginning of period	\$3,493	\$4,161	\$3,185	\$3,649
Cash flows from continuing operations	(508)	(305)	(779)	(252)
Capital expenditures	98	139	163	229
Dividends	-	-	359	361
Acquisitions, net	-	15	-	20
Purchases of treasury stock	-	7	-	18
Other, including the effect of exchange rate changes	(22)	(143)	133	(151)
Increase (decrease) in net debt	(432)	(287)	(124)	225
Net debt, June 30	\$3,061	\$3,874	\$3,061	\$3,874

Key statistics, June 30:				
Days sales outstanding	58.4	60.5	58.4	60.5
Inventory turns	2.9	2.6	2.9	2.6
Net-debt-to-capital ratio (A)	30.1%	41.2%	30.1%	41.2%

(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.