

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)	Twelve Months Ended	
	December 31,	
	2004	2003
Income from continuing operations	\$383	\$907
Adjustments		
Depreciation and amortization	601	547
Deferred income taxes	(119)	106
Impairments and special charges	404	(14)
Restructuring charges	543	337
Other	26	14
Changes in balance sheet items		
Accounts receivable	(188)	24
Inventories	28	(148)
Accounts payable and accrued liabilities	(94)	(73)
Restructuring payments	(195)	(79)
Contributions to pension trusts	(95)	(86)
Other	78	(110)
Cash flows from continuing operations	\$1,372	\$1,425

Changes in Net Debt Increase (decrease)	Twelve Months Ended	
	December 31,	
	2004	2003
Net debt, January 1	\$3,649	\$3,449
Cash flows from continuing operations	(1,372)	(1,425)
Capital expenditures	558	792
Dividends	361	346
Acquisitions, net	20	97
Issuance of stock	-	(644)
Purchases of treasury stock	18	714
Other, including the effect of exchange rate changes	(49)	320
Increase (decrease) in net debt	(464)	200
Net debt, December 31	\$3,185	\$3,649

Key statistics, December 31:		
Days sales outstanding	55.3	50.7
Inventory turns	2.7	2.6
Net-debt-to-capital ratio (A)	34.2%	39.9%

(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.