

**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	
	March 31,	
	2004	2003
Income from continuing operations	\$189	\$217
Adjustments		
Depreciation and amortization	148	128
Deferred income taxes	10	(70)
Other	23	8
Changes in balance sheet items		
Accounts receivable	(99)	(56)
Inventories	(68)	(135)
Accounts payable and accrued liabilities	(196)	(78)
Restructuring payments	(37)	(7)
Contributions to pension trust	(54)	-
Net litigation payable and other	30	(30)
<b>Cash flows from continuing operations</b>	<b>(\$54)</b>	<b>(\$23)</b>

Changes in Net Debt Increase (decrease)	Three Months Ended	
	March 31,	
	2004	2003
<b>Net debt, January 1</b>	<b>\$3,647</b>	<b>\$3,449</b>
Cash flows from continuing operations	54	23
Capital expenditures	89	174
Dividends	361	346
Acquisitions, net	5	70
Purchases of treasury stock	11	153
Other, including the effect of exchange rate changes	(8)	62
<b>Increase in net debt</b>	<b>512</b>	<b>828</b>
<b>Net debt, March 31</b>	<b>\$4,159</b>	<b>\$4,277</b>

<b>Key statistics, March 31:</b>		
Days sales outstanding	64.7	65.2
Inventory turns	2.3	2.3
Net-debt-to-capital ratio <b>(A)</b>	42.7%	46.9%

**(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.