

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)	Nine Months Ended	
	September 30,	
	2004	2003
Income from continuing operations	\$277	\$536
Adjustments		
Depreciation and amortization	445	400
Deferred income taxes	(238)	(135)
Restructuring charges	543	337
Other	151	34
Changes in balance sheet items		
Accounts receivable	(155)	16
Inventories	(44)	(233)
Accounts payable and accrued liabilities	(175)	(160)
Restructuring payments	(136)	(38)
Contributions to pension trusts	(95)	(11)
Net litigation payable and other	(44)	(76)
Cash flows from continuing operations	\$529	\$670

Changes in Net Debt Increase (decrease)	Nine Months Ended	
	September 30,	
	2004	2003
Net debt, January 1	\$3,649	\$3,449
Cash flows from continuing operations	(529)	(670)
Capital expenditures	363	564
Dividends	361	346
Acquisitions, net	20	97
Issuance of stock	0	(644)
Purchases of treasury stock	18	714
Other, including the effect of exchange rate changes	(115)	244
Increase in net debt	118	651
Net debt, September 30	\$3,767	\$4,100

Key statistics, September 30:		
Days sales outstanding	63.9	62.4
Inventory turns	2.5	2.3
Net-debt-to-capital ratio (A)	38.8%	42.9%

(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.

Note: In August 2004, the company restated its previously issued financial statements for 2001 through 2003 and the first quarter of 2004. This information reflects the restatements. Refer to the company's Form 10-K/A for the year ended December 31, 2003 and Forms 10-Q/A for the quarters ended March 31, 2004 and September 30, 2003 for further information.