

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,	
	2009	2008	2009	2008
Net income	\$576	\$569	\$2,215	\$2,025
Adjustments				
Depreciation and amortization	172	150	638	631
Deferred income taxes	79	116	267	280
Stock compensation	34	35	140	146
Realized excess tax benefits from stock issued under employee benefit plans ¹	(8)	(84)	(96)	(112)
Charges ²	79	7	160	175
Other	(34)	24	1	40
Changes in balance sheet items				
Accounts and other current receivables	(59)	(12)	(167)	(98)
Inventories	56	44	(60)	(163)
Accounts payable and accrued liabilities	78	(3)	(85)	(239)
Restructuring payments	(10)	(15)	(45)	(50)
Other ³	23	(211)	(59)	(120)
Cash flows from operations	\$986	\$620	\$2,909	\$2,515

Changes in Net Debt Increase (decrease)	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Net debt, beginning of period	\$1,598	\$1,229	\$1,625	\$550
Cash flows from operations	(986)	(620)	(2,909)	(2,515)
Capital expenditures	380	339	1,014	954
Dividends	157	135	632	546
Proceeds and realized excess tax benefits from stock issued under employee benefit plans	(92)	(133)	(381)	(680)
Purchases of treasury stock	250	464	1,216	1,986
Acquisitions of and investments in businesses and technologies	-	26	156	99
Payments related to settlements of cross-currency swaps	-	-	-	542
Other, including the effect of exchange rate changes	58	185	12	143
(Decrease) increase in net debt	(233)	396	(260)	1,075
Net debt, December 31	\$1,365	\$1,625	\$1,365	\$1,625

Key statistics, December 31:				
Days sales outstanding	51.2	50.6	51.2	50.6
Inventory turns	2.5	2.5	2.5	2.5

Selected balance sheet information:	December 31, 2009	December 31, 2008
Cash and equivalents	\$2,786	\$2,131
Accounts and other current receivables	\$2,302	\$1,980
Inventories	\$2,557	\$2,361
Accounts payable and accrued liabilities	\$3,753	\$3,241

¹ In accordance with GAAP, realized excess tax benefits from stock issued under employee benefit plans are presented in the statement of cash flows as an outflow within the operating section and an inflow within the financing section.

² Charges above consist of the following items:

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Cost optimization charge	\$79	\$-	\$79	\$-
Impairment charges	-	-	54	31
Infusion pump charges	-	-	27	125
IPR&D charges	-	7	-	19
Charges	\$79	\$7	\$160	\$175

³ Other cash flows from operations in the first quarter of 2009 included a planned contribution of \$100 million to the company's pension plan in the United States. Other cash flows from operations in the fourth quarter of 2008 included contributions to the company's pension plans of approximately \$240 million.