

**BAXTER INTERNATIONAL INC.**  
**Cash Flows from Operations and Changes in Net Debt**  
(unaudited)  
(\$ in millions)

<b>Cash Flows from Operations</b> (Brackets denote cash outflows)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Net income	\$537	\$589	\$477	\$1,107
Adjustments				
Depreciation and amortization	169	154	335	302
Deferred income taxes	29	76	120 <sup>A</sup>	135
Stock compensation	33	36	63	74
Realized excess tax benefits from stock issued under employee benefit plans	(3)	(3)	(34)	(81)
COLLEAGUE infusion pump charge	-	-	588	-
Greece receivable charge	28	-	28	-
Other	(4)	5	5	14
Changes in balance sheet items				
Accounts and other current receivables	(5)	(103)	(38)	(58)
Inventories	(25)	1	(119)	(85)
Accounts payable and accrued liabilities	(55)	40	(162)	(264)
Restructuring and cost optimization payments	(14)	(7)	(31)	(28)
Other	93	23	(170) <sup>B</sup>	(68) <sup>B</sup>
<b>Cash flows from operations</b>	<b>\$783</b>	<b>\$811</b>	<b>\$1,062</b>	<b>\$1,048</b>

<b>Changes in Net Debt</b>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Increase (decrease)				
<b>Net debt, beginning of period</b>	<b>\$2,080</b>	<b>\$2,207</b>	<b>\$1,365</b>	<b>\$1,625</b>
Cash flows from operations	(783)	(811)	(1,062)	(1,048)
Capital expenditures	237	216	467	387
Dividends	174	158	348	318
Proceeds from stock issued under employee benefit plans	(61)	(62)	(201)	(123)
Purchases of treasury stock	677	300	1,112	866
Acquisitions of and investments in businesses and technologies	20	102	254 <sup>C</sup>	102
Other, including the effect of exchange rate changes	170	(80)	231	(97)
<b>Increase (decrease) in net debt</b>	<b>434</b>	<b>(177)</b>	<b>1,149</b>	<b>405</b>
<b>Net debt, June 30</b>	<b>\$2,514</b>	<b>\$2,030</b>	<b>\$2,514</b>	<b>\$2,030</b>

<b>Key statistics, June 30:</b>				
Days sales outstanding	54.3	53.9	54.3	53.9
Inventory turns	2.5	2.3	2.5	2.3

<b>Selected balance sheet information:</b>	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Cash and equivalents	\$2,300	\$2,786
Accounts and other current receivables	\$2,072	\$2,302
Inventories	\$2,384	\$2,557
Accounts payable and accrued liabilities	\$3,390	\$3,753

<sup>A</sup> Deferred income taxes in the first quarter of 2010 included a charge of \$39 million to write off a deferred tax asset as a result of a change in the tax treatment of reimbursements under the Medicare Part D retiree prescription drug subsidy program.

<sup>B</sup> Other cash flows from operations in the first quarters of 2010 and 2009 included planned contributions of \$300 million and \$100 million, respectively, to the company's pension plan in the United States.

<sup>C</sup> Acquisitions of and investments in businesses and technologies in 2010 principally related to the first quarter acquisition of ApaTech Limited, an orthobiologic products company based in the United Kingdom.