

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		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Net income	\$629	\$537	\$1,206	\$477
Adjustments				
Depreciation and amortization	169	169	327	335
Deferred income taxes	69	29	160	120 ^A
Stock compensation	33	33	61	63
Realized excess tax benefits from stock issued under employee benefit plans	(8)	(3)	(13)	(34)
COLLEAGUE infusion pump charge	-	-	-	588
Greece receivable charge	-	28	-	28
Other	10	(4)	18	5
Changes in balance sheet items				
Accounts and other current receivables	(89)	(5)	(157)	(38)
Inventories	(153)	(25)	(214)	(119)
Accounts payable and accrued liabilities	11	(51)	(124)	(152)
Infusion pump and business optimization payments	(87)	(18)	(147)	(41)
Other	48	93	(114) ^B	(170) ^B
Cash flows from operations	\$632	\$783	\$1,003	\$1,062
Changes in Net Debt				
Increase (decrease)				
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Net debt, beginning of period	\$2,206	\$2,080	\$1,702	\$1,365
Cash flows from operations	(632)	(783)	(1,003)	(1,062)
Capital expenditures	210	237	408	467
Dividends	178	174	358	348
Proceeds from stock issued under employee benefit plans	(162)	(61)	(291)	(201)
Purchases of treasury stock	478	677	1,115	1,112
Acquisitions and investments	188 ^C	20	202 ^C	254 ^C
Divestiture and other	(106)	-	(106)	-
Other, including the effect of exchange rate changes	22	170	(3)	231
Increase in net debt	176	434	680	1,149
Net debt, June 30	\$2,382	\$2,514	\$2,382	\$2,514
Key statistics, June 30:				
Days sales outstanding	57.8	54.3	57.8	54.3
Inventory turns	2.5	2.5	2.5	2.5
Selected balance sheet information:			June 30, 2011	December 31, 2010
Cash and equivalents			\$2,018	\$2,685
Accounts and other current receivables			\$2,491	\$2,265
Inventories			\$2,648	\$2,371
Accounts payable and accrued liabilities			\$4,009	\$4,017

^A 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.

^B Other cash flows from operations included planned contributions to the company's pension plan in the United States of \$150 million and \$300 million in the first quarters of 2011 and 2010, respectively.

^C Acquisitions and investments in 2011 and 2010 principally related to the second quarter 2011 acquisition of Prism Pharmaceuticals, Inc., a specialty pharmaceutical company based in the United States, and the first quarter 2010 acquisition of ApaTech Limited, an orthobiologic products company based in the United Kingdom.