

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,	
	2011	2010	2011	2010
Net income	\$472	\$426	\$2,256	\$1,427
Adjustments				
Depreciation and amortization	167	179	670	685
Deferred income taxes	(46)	(93)	172	76
Stock compensation	25	28	119	120
Realized excess tax benefits from stock issued under employee benefit plans	(4)	(6)	(21)	(41)
COLLEAGUE infusion pump charge	-	-	-	588
Business optimization charges	192	257	192	257
Asset impairment and other charges	103	-	182	140
Litigation-related charge	-	62	-	62
IPR&D charges	-	34	-	34
Other	8	(5)	32	23
Changes in balance sheet items				
Accounts and other current receivables	(127)	(95)	(229)	(122)
Inventories	(43)	114	(315)	20
Accounts payable and accrued liabilities	188	64	98	26
Infusion pump and business optimization payments	(89)	(48)	(347)	(110)
Other	46	18 ^A	8 ^A	(182) ^A
Cash flows from operations	\$892	\$935	\$2,817	\$3,003

Changes in Net Debt Increase (decrease)	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2011	2010	2011	2010
Net debt, beginning of period	\$2,204	\$2,095	\$1,702	\$1,365
Cash flows from operations	(892)	(935)	(2,817)	(3,003)
Capital expenditures	317	264	960	963
Dividends	175	169	709	688
Proceeds from stock issued under employee benefit plans	(39)	(106)	(427)	(340)
Purchases of treasury stock	170	180	1,583	1,453
Acquisitions and investments	361 ^B	45	590 ^B	319 ^B
Divestiture and other	(17)	(18)	(123)	(18)
Other, including the effect of exchange rate changes	11	8	113	275
Increase (decrease) in net debt	86	(393)	588	337
Net debt, December 31	\$2,290	\$1,702	\$2,290	\$1,702

Key statistics, December 31:				
Days sales outstanding	53.5	52.5	53.5	52.5
Inventory turns	2.7	3.0	2.7	3.0

Selected balance sheet information:	December 31, 2011	December 31, 2010
Cash and equivalents	\$2,905	\$2,685
Accounts and other current receivables	\$2,520	\$2,265
Inventories	\$2,628	\$2,371
Accounts payable and accrued liabilities	\$4,411	\$4,017

^A Other cash flows from operations included planned contributions to the company's pension plan in the United States of \$150 million in the first quarter of 2011, \$50 million in the fourth quarter of 2010, and \$300 million in the first quarter of 2010.

^B Acquisitions and investments in 2011 and 2010 principally related to the fourth quarter 2011 acquisition of Baxa Corporation, a privately held global company based in the United States, 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.