

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,	
	2014	2013	2014	2013
Net income	\$520	\$590	\$1,076	\$1,142
Adjustments				
Depreciation and amortization	253	183	489	366
Deferred income taxes	(14)	(101)	(31)	(63)
Stock compensation	41	40	72	72
Realized excess tax benefits from stock issued under employee benefit plans	(5)	(7)	(17)	(19)
Business optimization charges	(32)	(2)	(4)	(2)
Net periodic pension benefit and OPEB costs	70	93	141	187
Infusion pump and other product-related charges	93	-	93	-
Other	93	44	78	54
Changes in balance sheet items				
Accounts and other current receivables, net	(230)	(73)	3	12
Inventories	(127)	(125)	(360)	(306)
Accounts payable and accrued liabilities	14	128	(222)	(171)
Business optimization and infusion pump payments	(38)	(26)	(83)	(52)
Other	(39)	19	(77)	(71)
Cash flows from operations	\$599	\$763	\$1,158	\$1,149

Changes in Net Debt Increase (decrease)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net debt, beginning of period ^A	\$6,645	\$3,178	\$6,433	\$2,660
Cash flows from operations	(599)	(763)	(1,158)	(1,149)
Capital expenditures	423	347	844	639
Dividends	265	244	531	490
Proceeds from stock issued under employee benefit plans	(106)	(138)	(232)	(322)
Purchases of treasury stock	200	183	450	717
Acquisitions and investments	117	20	176	87
Sales of investments and other investing activities	2	-	(94)	(10)
Other, including the effect of exchange rate changes	26	(25)	23	(66)
Increase (decrease) in net debt	328	(132)	540	386
Net debt, June 30 ^A	\$6,973	\$3,046	\$6,973	\$3,046

Key statistics, June 30:				
Days sales outstanding	56.7 ^B	53.5	56.7 ^B	53.5
Inventory turns	2.2	2.2	2.2	2.2

^A Net debt is a non-GAAP measure, refer to page 13 for a description of net debt and a reconciliation to GAAP measures.

^B Includes the impact from the acquisition of Gambro. Excluding Gambro, the company's days sales outstanding was 53.1 days as of June 30, 2014.