

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

Cash Flows from Continuing Operations (Brackets denote cash outflows)	Six Months Ended	
	June 30,	
	2004	2003
Income from continuing operations	\$20	\$266
Adjustments		
Depreciation and amortization	294	258
Deferred income taxes	(203)	(161)
Restructuring charges	543	337
Other	147	6
Changes in balance sheet items		
Accounts receivable	(165)	(32)
Inventories	(77)	(203)
Accounts payable and accrued liabilities	(173)	(182)
Restructuring payments	(62)	(9)
Contributions to pension trusts	(54)	(11)
Net litigation payable and other	(19)	(64)
Cash flows from continuing operations	\$251	\$205

Changes in Net Debt Increase (decrease)	Six Months Ended	
	June 30,	
	2004	2003
Net debt, January 1	\$3,647	\$3,449
Cash flows from continuing operations	(251)	(205)
Capital expenditures	228	357
Dividends	361	346
Acquisitions, net	20	84
Purchases of treasury stock	18	153
Other, including the effect of exchange rate changes	(151)	165
Increase in net debt	225	900
Net debt, June 30	\$3,872	\$4,349

Key statistics, June 30:		
Days sales outstanding	63.0	65.8
Inventory turns	2.6	2.2
Net-debt-to-capital ratio (A)	41.5%	46.7%

(A) The net-debt-to-capital ratio was calculated in accordance with the company's primary credit agreements, which give 70% equity credit to the company's December 2002 \$1.25 billion issuance of equity units.

As noted in the press release, the company plans to restate its financial results back to 2001. The prior quarter and/or year-to-date results shown above do not yet reflect the restatement or the effects thereof and should be read accordingly.