

BAXTER INTERNATIONAL INC.
Condensed Consolidated Balance Sheets
(unaudited)
(\$ in millions)

	June 30, 2005	December 31, 2004
<u>ASSETS</u>		
Cash and equivalents	\$1,428	\$1,109
Receivables	1,959	2,091
Inventories	1,944	2,135
Other current assets (1)	508	684
Total current assets	5,839	6,019
Property, plant and equipment, net	4,157	4,369
Other long-term assets (1)	3,630	3,759
Total assets	\$13,626	\$14,147
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Short-term debt (2)	\$1,450	\$361
Other current liabilities (1)	2,911	3,925
Long-term debt	3,039	3,933
Other long-term liabilities (1)	2,016	2,223
Stockholders' equity	4,210	3,705
Total liabilities and stockholders' equity	\$ 13,626	\$14,147

(1) The following is a summary of the company's cross-currency swap assets (liabilities).

	June 30, 2005	December 31, 2004
<u>Original swaps</u>		
Other current liabilities	(\$67)	(\$465)
Other long-term liabilities	(577)	(831)
Total	(644)	(1,296)
<u>Mirror swaps</u>		
Other current assets	-	109
Other long-term assets	-	20
Other current liabilities	(4)	-
Other long-term liabilities	(85)	(5)
Total	(89)	124
Net total of all cross-currency swaps	(\$733)	(\$1,172)

Note: As further discussed in the company's SEC filings, during the fourth quarter of 2004 the company executed offsetting or mirror swaps. These mirror swaps fix the net amount the company will ultimately pay to settle the swaps subject to this strategy. After execution of the mirror swaps, as the market value of the fixed portion of the original portfolio decreases, the market value of the mirror swaps increases, and vice versa. At June 30, 2005, approximately 55% of the net swaps liability has been fixed by the mirror swaps.

During the first half of 2005, the company settled certain swap agreements (and related mirror swaps, as applicable), and made net payments totaling \$308 million. In accordance with GAAP, \$363 million of outflows were classified in the financing section of the statement of cash flows, and \$55 million of inflows were classified in the operating section of the statement of cash flows.

(2) The increase in short-term debt from December 31, 2004 to June 30, 2005 principally related to the reclassification of approximately \$800 million of notes due in 2006 from long-term to short-term.