

BAXTER INTERNATIONAL INC
Form 11-K
June 28, 2004
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 11-K

x ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2003

OR

.. TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-4448

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Baxter International Inc. and Subsidiaries

Incentive Investment Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Baxter International Inc.

One Baxter Parkway

Deerfield, IL 60015

(847) 948-2000

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Baxter International Inc.

and Subsidiaries

Incentive Investment Plan

Financial Statements and Supplemental Schedule

December 31, 2003 and 2002

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Incentive Investment Plan

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* Other schedules required by the Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

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Report of Independent Registered Public Accounting Firm

To the Participants and Administrative Committee

of the Baxter International Inc. and

Subsidiaries Incentive Investment Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Baxter International Inc. and Subsidiaries Incentive Investment Plan (the Plan) at December 31, 2003 and December 31, 2002, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of Assets Held for Investment Purposes is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chicago, Illinois

June 18, 2004

Table of Contents**Baxter International Inc. and Subsidiaries****Incentive Investment Plan****Statements of Net Assets Available for Benefits**

As of December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Investments:		
At fair value		
Cash and cash equivalents	\$ 18,305,854	\$ 51,789,770
Common stock	426,344,970	364,892,227
Fixed income securities	67,396,181	63,080,155
Commingled investments	237,176,048	140,182,396
Participant loans	30,196,773	29,550,104
	<u>779,419,826</u>	<u>649,494,652</u>
At contract value		
Guaranteed investment contracts	547,149,889	514,010,372
	<u>547,149,889</u>	<u>514,010,372</u>
Total investments	<u>1,326,569,715</u>	<u>1,163,505,024</u>
Receivables:		
Accrued interest and dividends	3,707,941	3,781,220
Due from brokers for securities sold	3,407,478	344,875
	<u>7,115,419</u>	<u>4,126,095</u>
Total assets	<u>1,333,685,134</u>	<u>1,167,631,119</u>
Liabilities		
Accounts payable	3,055,001	1,084,282
Due to brokers for securities purchased	1,577,827	4,329,765
	<u>4,632,828</u>	<u>5,414,047</u>
Total liabilities	<u>4,632,828</u>	<u>5,414,047</u>
Net assets available for benefits	<u>\$ 1,329,052,306</u>	<u>\$ 1,162,217,072</u>

The accompanying notes are an integral part of these financial statements.

Table of Contents**Baxter International Inc. and Subsidiaries****Incentive Investment Plan****Statements of Changes in Net Assets Available for Benefits****For the Years Ended December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
Additions to net assets attributed to:		
Investment income:		
Interest	\$ 33,836,243	\$ 32,701,846
Participant loan interest	2,041,464	2,409,711
Dividends	6,333,771	5,465,938
Net appreciation in fair value of investments	123,924,690	
	<u>166,136,168</u>	<u>40,577,495</u>
Contributions:		
Employer s	23,169,330	21,983,334
Participants	57,564,561	57,331,985
	<u>80,733,891</u>	<u>79,315,319</u>
Transfers from other plans	8,696,353	1,282,409
Total additions	<u>255,566,412</u>	<u>121,175,223</u>
Deductions from net assets attributed to:		
Benefits paid	84,284,175	64,787,532
Plan expenses	4,447,003	4,794,813
Net depreciation in fair value of investments		231,444,466
Total deductions	<u>88,731,178</u>	<u>301,026,811</u>
Net increase (decrease)	166,835,234	(179,851,588)
Net assets available for plan benefits:		
Beginning of year	<u>1,162,217,072</u>	<u>1,342,068,660</u>
End of year	<u>\$ 1,329,052,306</u>	<u>\$ 1,162,217,072</u>

The accompanying notes are an integral part of these financial statements.

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Baxter International Inc. and Subsidiaries

Incentive Investment Plan

Notes to Financial Statements

December 31, 2003 and 2002

1. General Description of the Plan

The following description of the Baxter International Inc. and Subsidiaries Incentive Investment Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

The Plan allows tax deferred contributions in compliance with Section 401(k) of the Internal Revenue Code. Eligible participants may make pre-tax contributions of up to 20% of their eligible annual compensation, as defined in the Plan agreement. The Plan sponsor, Baxter International Inc. (Baxter), matches participant contributions up to a maximum of 3% of the employees' compensation. Participant contributions are fully vested at all times. Vesting in the Plan sponsor matching contributions is based on years of continuous service, and a participant vests in annual increments of 20%, for the period ended December 31, 2002. Effective January 1, 2003, the Plan sponsor matching contributions of all participants who are employees on and after January 1, 2003 shall be fully vested and nonforfeitable. Participants may borrow up to the lesser of \$50,000 or 50% of their account balance. The loans are secured by the balance in the participant's account and bear interest at variable rates as outlined in the Plan.

Participants, or their beneficiaries, may elect lump-sum benefit payments or benefits may be paid in installments. Subject to certain provisions specified in the Plan agreement, employed participants may withdraw their pre-tax contributions and related earnings in cases of financial hardship.

When certain terminations of participation in the Plan occur, the nonvested portion of the participant's account, as defined by the Plan agreement, represents a forfeiture. Forfeitures are utilized to reduce Baxter matching contributions for the plan year. However, if the participant is re-employed and fulfills certain requirements, as defined in the Plan agreement, the participant's account will be reinstated. Forfeitures utilized for the periods ended December 31, 2003 and 2002 were \$539,431 and \$268,960, respectively.

Upon enrollment in the Plan, a participant may direct contributions in any of eight investment options: Stable Income Fund, Baxter Common Stock Fund, Composite Fund, General Equity Fund, S&P 500 Equity Index Fund, International EAFE Equity Index Fund, Small Cap Fund and the Self-Managed Fund. In addition, certain participants may maintain shares received in connection with Baxter's 1996 spin-off of Allegiance Corporation (Allegiance), which were subsequently converted into common shares of Cardinal Health Inc. (Cardinal) upon Cardinal's acquisition of Allegiance in 1999. These shares are maintained in the Cardinal Health Common Stock Fund. Additionally, certain participants maintain shares in Edwards Lifesciences Corporation. These shares were placed into the Edwards Lifesciences Common Stock Fund in connection with Baxter's 2000 spin-off of its Cardiovascular Business Group. Participants are not able to make contributions to the Cardinal Health Common Stock Fund or the Edwards Lifesciences Common Stock Fund.

Table of Contents**Baxter International Inc. and Subsidiaries****Incentive Investment Plan****Notes to Financial Statements****December 31, 2003 and 2002****2. Summary of Significant Accounting Policies**

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting. Accordingly, investment income is recognized when earned and expenses are recognized when incurred. The valuation of Plan investments is determined as follows:

U.S. government and government agency issues	Value based on the last reported sale price from a national security exchange on the valuation date
Corporate and other bonds	Value based on the last reported sale price from a national security exchange on the valuation date
Common stock:	
Traded on national exchanges	Value based on composite pricing of all national closing sales prices on the valuation date
Traded on over-the-counter market	Value based on last reported sale price defaulting to bid quotations
Commingled investments	Value based on closing prices of the underlying securities on the valuation date
Guaranteed Investment Contracts	Value based on contract value
Short term investments	Value based on cost which approximates fair value
Loan fund	Value based on cost which approximates fair value

Plan investment return includes dividend and interest income, gains and losses on sales of investments and unrealized appreciation or depreciation of investments. The financial statements reflect the net appreciation or depreciation in the fair value of the Plan's investments. This net appreciation or depreciation consists of realized gains and losses calculated as the difference between proceeds from a sales transaction and cost determined on a moving average basis, and unrealized gains and losses calculated as the change in the fair value between beginning of the year (or purchase date if later) and the end of the year.

The Plan's synthetic Guaranteed Investment Contracts are credited monthly with earnings on the underlying investments and charged for Plan withdrawals and expenses. These contracts are fully benefit-responsive and are reported in the financial statements at contract value, which approximates fair value. Contract value represents contributions made under the contracts, plus earnings, less withdrawals and expenses. There are no reserves for credit risk of the contract issuer

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Baxter International Inc. and Subsidiaries

Incentive Investment Plan

Notes to Financial Statements

December 31, 2003 and 2002

or otherwise. The Plan's two contracts, Baxter Global Wrap Account and Pacific Investment Management Company, utilize wrapper contracts issued by Aegon Institutional Markets and Bank of America NT & SA, respectively. The average yield was 3.9% and 4.1% and the average crediting interest rate was 5.5% and 6.2% for the investment contracts for 2003 and 2002, respectively. The crediting interest rates are based on an agreed-upon formula with the issuers, Aegon Institutional Markets and Bank of America NT & SA, which are reset quarterly and monthly, respectively. These crediting interest rates cannot be less than zero percent.

Benefits are recorded when paid.

Due from or due to brokers for securities sold or purchased, respectively, represent the cash value of security trades initiated but not yet settled at each respective year-end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Changes in such estimates may affect amounts reported in future periods.

Risks and Uncertainties

The Plan provides for various investment options in any combination of registered investment entities, which invest in U.S. government and government agency issues, corporate and other bonds, common stock, commingled investments, guaranteed investment contracts, and short term investments. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits and the statement of changes in net assets available for benefits. Individual participants' accounts bear the risk of loss resulting from fluctuations in fund values.

3. Eligibility Requirements

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Employees become eligible to participate in the Plan as of the first day of the month following the completion of thirty days of employment. Eligible employees are those who meet the following requirements:

1. U.S. employees of Baxter or its subsidiaries which have adopted the Plan.
2. U.S. employees not covered by a collective bargaining agreement unless the agreement provides for coverage under the Plan.
3. U.S. employees who are not leased employees.

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Table of Contents**Baxter International Inc. and Subsidiaries****Incentive Investment Plan****Notes to Financial Statements****December 31, 2003 and 2002****4. Administration of the Plan**

State Street Bank and Trust Company serves as trustee and CitiStreet LLC serves as record keeper for the Plan.

The Administrative Committee administers the Plan. The Investment Committee has authority, responsibility and control over the management of the assets of the Plan. Members of both committees are appointed by the Board of Directors of Baxter and are employees of Baxter.

Substantially all investment manager, trustee and administrative fees incurred in the administration of the Plan were paid from the assets of the Plan.

5. Investments

Investments representing five percent or more of the Plan's assets at December 31, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Baxter Common Stock, 4,223,772 shares and 4,888,861 shares at December 31, 2003 and 2002, respectively	\$ 128,909,531	\$ 136,888,099
S&P 500 Equity Index Fund	150,059,044	100,709,858
State Street Bank Short Term Investment Fund	82,764,103	130,797,797

Investments as of December 31, 2003 and 2002 are segregated into various investment funds as follows:

	<u>2003</u>	<u>2002</u>
Cash	\$ 2,593,983	\$ 592,183
Stable Income Fund	556,179,424	545,760,359
Baxter Common Stock Fund	127,543,730	139,150,080
Composite Fund	158,816,346	137,716,763
General Equity Fund	168,792,569	128,728,783
Cardinal Health Common Stock Fund	18,023,560	18,796,554
S&P 500 Equity Index Fund	150,059,044	100,709,858
International EAFE Equity Index Fund	32,558,027	16,777,373
Loan Fund	30,196,773	29,550,104
Edwards Lifesciences Common Stock Fund	10,711,243	10,329,552

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Small Cap Fund	42,677,228	15,502,075
Self-Managed Fund	28,417,788	19,891,340
	<hr/>	<hr/>
Total Investments	\$ 1,326,569,715	\$ 1,163,505,024
	<hr/>	<hr/>

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Table of Contents**Baxter International Inc. and Subsidiaries****Incentive Investment Plan****Notes to Financial Statements****December 31, 2003 and 2002**

The fund amounts above include \$15,711,871 and \$51,197,587 of cash and cash equivalents at December 31, 2003 and 2002, respectively, which are awaiting investment in their respective portfolios. These amounts are maintained in the State Street Bank Short Term Investment Fund.

Net appreciation (depreciation) for each respective year is comprised of:

	<u>2003</u>	<u>2002</u>
Baxter common stock unrealized appreciation (depreciation), net	\$ 11,308,627	\$ (127,569,227)
Other unrealized appreciation (depreciation), net	109,719,425	(86,370,403)
Baxter common stock realized (loss) gain, net	(1,260,241)	9,419,606
Other realized gain (loss), net	4,156,879	(26,924,442)
	<u>\$ 123,924,690</u>	<u>\$ (231,444,466)</u>

Net appreciation (depreciation) in fair value for each significant class of investment, which includes realized and unrealized gains and losses, is as follows:

	<u>2003</u>	<u>2002</u>
U.S. government and government agency issues	\$ (396,974)	\$ 1,621,062
Corporate and other bonds	1,695,092	974,799
Commingled investments	50,556,704	(41,013,978)
Common stock	72,069,868	(193,026,349)
	<u>\$ 123,924,690</u>	<u>\$ (231,444,466)</u>

6. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to reduce, suspend or discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become fully vested and such termination would not reduce the interest of any participating employee or their beneficiaries accrued under the Plan up to the date of such termination.

7. Tax Status of the Plan

The Internal Revenue Service has determined and informed the Plan sponsor by a letter dated October 1, 2003 that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (the "IRC"). The Plan has been amended since the date of the determination letter. The Plan sponsor believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

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Baxter International Inc. and Subsidiaries

Incentive Investment Plan

Notes to Financial Statements

December 31, 2003 and 2002

8. Related Parties

At December 31, 2003 and 2002, the Plan held units of participation in certain common/collective trust funds and short term investment funds of State Street Bank and Trust Company, the Plan trustee, shares of common stock of Baxter, the Plan sponsor, loans with participants, and shares of common stock and fixed income securities in CitiGroup Inc., CitiBank Mortgage Securities Inc., CitiBank Credit Card Issuance Trust, Travelers Property Casualty Corporation, and CitiBank Credit Card Master Trust I, which are all affiliated with CitiStreet LLC, the record keeper. These transactions are allowable party-in-interest transactions under the Employee Retirement Income Security Act of 1974 and the regulations promulgated thereunder.

9. Plan Mergers

During 2002, Baxter acquired Epic Therapeutics, Inc. The Epic Therapeutics, Inc. 401(k) Plan was merged into the Plan effective December 2003. As a result of this merger, total assets of approximately \$1.0 million were transferred into the Plan.

In December 2002, Baxter acquired ESI Lederle. The American Home Projects Corporation Savings Plan (Wyeth 401(k) Plan) was merged into the Plan effective February 2003. As a result of this merger, total assets of approximately \$7.7 million were transferred into the Plan.

In May 2002, Baxter acquired Fusion Medical Technologies, Inc. The Fusion Medical Technologies, Inc. 401(k) Plan was merged into the Plan effective September 2002. As a result of this merger, total assets of approximately \$1.3 million were transferred into the Plan.

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**Baxter International Inc. and Subsidiaries
Incentive Investment Plan
Schedule of Assets (Held at End of Year) at December 31, 2003
(Schedule H, Part IV, Line 4i on Form 5500)**

**Exhibit I
Page 1 of 25**

<u>Identity of Issue</u>	<u>Description of Investment</u>	<u>Current Value</u>
Cash & Cash Equivalents:		
* State Street Bank & Trust Co.	Short Term Investment Fund	\$ 18,305,854
Common Stocks:		
3Com Corp	Common Stock	4,902
3M Company	Common Stock	12,329
8X8 Inc	Common Stock	12,794
Abbott Laboratories	Common Stock	555,175
Abercrombie & Fitch Co	Common Stock	2,471
Abn Amro	Common Stock	2,348
Accenture Ltd	Common Stock	4,606
Acclaim Entmt Inc	Common Stock	1,950
Adams Express Company	Common Stock	54,703
Adaptec Inc	Common Stock	1,326
Adaptive Broadband Corp	Common Stock	2
ADC Telecommunications Inc	Common Stock	696,499
Adept Technology Inc	Common Stock	2,800
Advanced Micro Devices Inc	Common Stock	94,913
Advanced Optics Electronics Inc	Common Stock	65
Advanced Semiconductor Engr Inc	Common Stock	10,100
Advancepcs	Common Stock	26,395
Advanta Corp	Common Stock	3,233
Aeterna Laboratories	Common Stock	33,895
Aetna Inc	Common Stock	1,403,604
Affymetrix Inc	Common Stock	2,461
Aflac Inc	Common Stock	23,711
Agere Systems	Common Stock	9,176
Airmet Commun Corp	Common Stock	808
Airtran Hldgs Inc	Common Stock	2,380
Akamai Tech	Common Stock	3,583
Aksys Ltd	Common Stock	7,497
Alaris Medical Inc	Common Stock	380,463
Alcon Inc	Common Stock	826,282
Alkermes Inc	Common Stock	13,500
Alliance Pharmaceutical Corp	Common Stock	932
Allos Therapeutics Inc	Common Stock	6,390
Alteon Inc	Common Stock	57,305
Altria Group Inc	Common Stock	2,132,822
Amarin Corp Plc	Common Stock	616
Amazon.Com Inc	Common Stock	10,524
Ambac Finl Group Inc	Common Stock	754,912
Amdocs Limited	Common Stock	4,496
Amer Intl Group Inc	Common Stock	33,140
American Capital Strategies	Common Stock	7,433
American Electric Power Inc	Common Stock	3,002,426
American Intl Group Inc	Common Stock	3,231,740

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American Pharmaceuticals Partners Inc	Common Stock	9,408
American Std Cos Inc	Common Stock	806,718
Amerigon Inc	Common Stock	4,322
Amgen Inc	Common Stock	3,074,359
Amr Corp	Common Stock	6,475
Amylin Pharm Inc	Common Stock	778
Andrea Electronics Corp	Common Stock	318
Anheuser Busch Cos	Common Stock	5,005
Anthem Inc	Common Stock	2,550
Antigenics Inc	Common Stock	105,462
Apex Silver Mines Limited	Common Stock	4,180
Apollo Group Inc	Common Stock	10,172
Apple Computer Inc	Common Stock	8,548
Applera Corp	Common Stock	18,052
Applied Digital Solutions Inc	Common Stock	49,846
Applied Imaging Corp	Common Stock	1,510
Applied Materials Inc	Common Stock	1,623,591
Applied Micro Circuits Corp	Common Stock	1,642
APT Satellite Holding Ltd	Common Stock	1,428
Aquantive Inc	Common Stock	5,125

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**Baxter International Inc. and Subsidiaries
Incentive Investment Plan
Schedule of Assets (Held at End of Year) at December 31, 2003
(Schedule H, Part IV, Line 4i on Form 5500)**

**Exhibit I
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<u>Identity of Issue</u>	<u>Description of Investment</u>	<u>Current Value</u>
Aradigm Corp	Common Stock	4,190
Archer Daniels Midland	Common Stock	1,598
Ariba Inc	Common Stock	66,375
Arm Holdings Plc	Common Stock	4,554
Arrow Electronics Inc	Common Stock	1,527,153
Arrow Finl Corp	Common Stock	4,148
Artemis Intl Solutions Corp	Common Stock	160
Asia Pulp & Paper Co	Common Stock	140
Astropower Inc	Common Stock	86
ASV Inc	Common Stock	3,725
At Road Inc	Common Stock	1,995
AT&T Corp	Common Stock	14,210
AT&T Wireless Svcs Inc	Common Stock	12,065
ATI Technologies Inc	Common Stock	3,024
Atlantic Tele Netwrk Inc	Common Stock	2,805
ATSI Communications Inc	Common Stock	150
ATX Communications Inc	Common Stock	28
Audiocodes Ltd	Common Stock	12,528
Autoimmune Inc	Common Stock	24,490
Automatic Data Processing Inc	Common Stock	14,062
Avaya Inc	Common Stock	3,235
Aventis	Common Stock	589,795
Avid Technology Inc	Common Stock	9,600
Avitar Inc	Common Stock	1,150
Avnet Inc	Common Stock	929,726
Avon Prods Inc	Common Stock	1,288,261
Backweb Technologies Ltd	Common Stock	4,401
Baker Hughes Inc	Common Stock	485,181
Ballard Pwr Sys Inc	Common Stock	2,839
Bank Amer Corp	Common Stock	3,523,942
Bank Of The Ozarks	Common Stock	2,478
Baxter Intl Inc	Common Stock	128,909,531
Bea Systems Inc	Common Stock	12,423
Bed Bath & Beyond Inc	Common Stock	1,221,577
Bema Gold Corp	Common Stock	40,920
Berkeley Technology Ltd	Common Stock	376
Berkshire Hathaway Inc	Common Stock	2,687,040
Best Buy Inc	Common Stock	23,508
Beverly Enterprises Inc	Common Stock	3,436
Beyond Corp	Common Stock	79
Big Lots Inc	Common Stock	1,421
Biocryst Pharmaceuticals Inc	Common Stock	13,700
Biogen Idec Inc	Common Stock	49,729
Biomerica Inc	Common Stock	5,320
Biomet Inc	Common Stock	3,622
Biosite Diagnostics Inc	Common Stock	2,895
Bisys Group Inc	Common Stock	298
Black Box Corp	Common Stock	4,606
Block H & R Inc	Common Stock	11,318
Boots & Coots Intl Well Ctl Inc	Common Stock	1,260

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Boston Biomedica Inc	Common Stock	10,520
Boston Scientific	Common Stock	877,856
Bp Amoco Plc	Common Stock	10,286
BP PLC	Common Stock	629,628
Bradley Pharmacetls Inc	Common Stock	1,526
Brightpoint Inc	Common Stock	3,450
Bristol Myers Squibb	Common Stock	8,155
Britesmile Inc	Common Stock	660
BroadCom Corp	Common Stock	1,147,201
Brocade Communications Sys Inc	Common Stock	1,792
Bsi2000 Inc	Common Stock	800
Burlington Northn Santa Fe	Common Stock	1,500,563
Cable & Wireless Plc	Common Stock	3,785
California Amplifier	Common Stock	226,893
Caliper Technologies Corp	Common Stock	98,788
Calpine Corp	Common Stock	40,356
Cambior Inc	Common Stock	3,100
Candies Inc	Common Stock	2,100
Cannon Express Inc	Common Stock	175

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**Baxter International Inc. and Subsidiaries
Incentive Investment Plan
Schedule of Assets (Held at End of Year) at December 31, 2003
(Schedule H, Part IV, Line 4i on Form 5500)**

**Exhibit I
Page 3 of 25**

Identity of Issue	Description of Investment	Current Value
Capstead Mtg Corp	Common Stock	18,458
Cardiac Science Inc	Common Stock	1,197
Cardinal Health Inc	Common Stock	18,314,343
Caremark Rx Inc	Common Stock	341,263
Carreker Antinori Inc	Common Stock	2,802
Carrier Access Corp	Common Stock	2,508
Caseys Gen Stores Inc	Common Stock	706
Castelle	Common Stock	5,652
Caterpillar Inc	Common Stock	24,906
Cath Systems Inc	Common Stock	6,552
CDW Corp	Common Stock	20,320
Celestica Inc	Common Stock	15,070
Cell Genesys Inc	Common Stock	767
Celsion Corp	Common Stock	6,550
Central Securities Corp	Common Stock	6,267
Centurytel Inc	Common Stock	1,113,038
Cerus Corp	Common Stock	33,029
Charter Comm Inc	Common Stock	2,010
Chattem Inc	Common Stock	3,974
Check Point Software Tech Ltd	Common Stock	11,802
Chesapeake Energy Corporation Oklahoma	Common Stock	643,692
Chevrontexaco Corp	Common Stock	8,639
Chicago Mercantile Exchange Hldgs Inc	Common Stock	2,171
Chicos Fas Inc	Common Stock	4,914
China Life Ins Co Ltd	Common Stock	3,627
China Mobile Hong Kong Ltd	Common Stock	6,212
China Petroleum & Chem Corp	Common Stock	1,036
China Telecom Corp Ltd	Common Stock	24,486
China.Com Corp	Common Stock	38,736
Chiron Corp	Common Stock	5,698
Chromavision Med Sys Inc	Common Stock	7,497
Chubb Corp	Common Stock	4,350,976
Ciena Corp	Common Stock	11,250
Cigna Corp	Common Stock	1,251,116
Ciphergen Biosystems Inc	Common Stock	4,572
Cisco Sys Inc	Common Stock	4,459,678
* Citigroup Inc	Common Stock	6,123,267
Citizens Communications Co	Common Stock	1,001,120
Clarent Corp	Common Stock	2
Clear Channel Communications	Common Stock	1,250,532
Cleveland Cliffs Inc	Common Stock	5,095
Comg Information Svcs Inc	Common Stock	9,790
Cms Energy Corp	Common Stock	1,072
Cnooc Ltd	Common Stock	6,358
Coach Inc	Common Stock	11,325
Coca Cola Co	Common Stock	5,098
Coeur D Alene Mines Corp	Common Stock	3,468
Cohen & Steers Advantage Income Rlty Fd Inc	Common Stock	4,850
Colgate Palmolive Co	Common Stock	153,452
Comcast Corp	Common Stock	4,424,083

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Comdisco Hldg Co Inc	Common Stock	663
Comerica Inc	Common Stock	914,838
Commtouch Software Ltd	Common Stock	415
Compass Bancshares Inc	Common Stock	4,034
Computerized Thermal Imaging Inc	Common Stock	780
Conagra Inc	Common Stock	5,278
Concord Efs Inc	Common Stock	11,130
Conexant Sys Inc	Common Stock	6,710
Conocophillips	Common Stock	4,985,095
Consolidated Tomoka Ld Co	Common Stock	3,270
Continental Airls Inc	Common Stock	2,847
Cooper Companies Inc	Common Stock	4,996
Cooper Industries Ltd	Common Stock	1,122,966
Cooper Tire & Rubr Co	Common Stock	888,104
Corautus Genetics Inc	Common Stock	959
Corinthian Colleges Inc	Common Stock	4,274
Cornerstone Total Return Fd Inc	Common Stock	9,154
Corning Inc	Common Stock	526,892
Corvis Corp	Common Stock	42,500

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**Baxter International Inc. and Subsidiaries
Incentive Investment Plan
Schedule of Assets (Held at End of Year) at December 31, 2003
(Schedule H, Part IV, Line 4i on Form 5500)**

**Exhibit I
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<u>Identity of Issue</u>	<u>Description of Investment</u>	<u>Current Value</u>
Costco Wholesale Corp	Common Stock	6,692
Cott Corp Que	Common Stock	28,010
Countrywide Credit Ind Inc	Common Stock	17,892
Countrywide Finl Corp	Common Stock	450,105
Covad Communications Group Inc	Common Stock	334
Coventry Health Care Inc	Common Stock	4,192
Creative Host Services Inc	Common Stock	31,800
Critical Path Inc	Common Stock	532
Crown Holdings Inc	Common Stock	512,544
CSX Corp	Common Stock	2,274,914
Curis Inc	Common Stock	4,500
Cyber-Care Inc	Common Stock	20
Cygnus Inc	Common Stock	120
Cymer Inc	Common Stock	4,619
Cytogen Corp	Common Stock	2,176
Cytc Corp	Common Stock	1,384
Daimlerchrysler	Common Stock	5,046
Dan River Inc	Common Stock	876
Dana Corp	Common Stock	1,097,990
Data Race Inc	Common Stock	4
Datastream Systems Inc	Common Stock	981
Datec Systems Inc	Common Stock	700
Datatrak Intl Inc	Common Stock	303
Deere & Company	Common Stock	24,715
Denbury Res Inc	Common Stock	1,391
Dendreon Corp	Common Stock	16,120
Devon Energy Corporation	Common Stock	1,274,210
Diamonds Trust Ser I	Common Stock	13,071
Digi Intl Inc	Common Stock	624
Digital Angel Corp	Common Stock	853
Digital Lightwave Inc	Common Stock	6,521
Dillard Inc	Common Stock	3,292
Dime Bancorp Inc	Common Stock	850
Diomed Hlds Inc	Common Stock	1,682
Disney Walt Co	Common Stock	45,190
Dollar Gen Corp	Common Stock	48,616
Dot Hill Sys Corp	Common Stock	1,515
Dow Chemical Co	Common Stock	16,628
Dst Systems Inc	Common Stock	4,176
Du Pont E I De Nemours & Co	Common Stock	4,866
Ducommun Inc	Common Stock	224
Duke Energy Corp	Common Stock	143,150
Durban Roodeport Deep	Common Stock	476
Dynegy Inc Hldg Co	Common Stock	12,660
E Loan Inc	Common Stock	11,026
E M C Corp Mass	Common Stock	152,508
Eagle Supply Group Inc	Common Stock	2,620
Earthshell Corp	Common Stock	149
Eastman Kodak Co	Common Stock	19,253
Eb2B Commerce Inc	Common Stock	13

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EBay Inc	Common Stock	2,372,186
Echostar Communications	Common Stock	6,798
Edge Pete Corp	Common Stock	2,024
Edwards Lifesciences Corp	Common Stock	10,377,779
El Paso Corp	Common Stock	246
Elan Corp Plc	Common Stock	2,067
Eldorado Gold Corp	Common Stock	38,520
Electronic Arts Inc	Common Stock	1,838,285
EMC Corp	Common Stock	819,082
Emulex Corp	Common Stock	3,655
Encysive Pharmaceuticals Inc	Common Stock	1,074
Engelhard Corp	Common Stock	59,243
Enova Systems Inc	Common Stock	2,300
Enpro Inds Inc	Common Stock	377
Enron Corp	Common Stock	141
Entergy Corp	Common Stock	2,039,757
Entravision Communications Corp	Common Stock	1,665
Eon Labs Inc	Common Stock	3,821
Epicor Software Corp	Common Stock	133,980

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Schedule of Assets (Held at End of Year) at December 31, 2003
(Schedule H, Part IV, Line 4i on Form 5500)**

**Exhibit I
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Identity of Issue	Description of Investment	Current Value
Epimmune Inc	Common Stock	136
Equifax Inc	Common Stock	1,262,222
Eresearch Technology Inc	Common Stock	20,717
Ericsson L M Tel Co	Common Stock	27,329
Establishments	Common Stock	1,276
Exxon Mobil Corp	Common Stock	27,215
Federal Home Ln Mtg Corp	Common Stock	1,730,397
Federal National Mtg Association	Common Stock	3,882,552
Federated Dept Stores Inc	Common Stock	764,449
Fedex Corp	Common Stock	37,968
Fiity Natl Finl Inc	Common Stock	9,889
Filenet Corp	Common Stock	5,416
First Data Corp	Common Stock	2,794
Fleetboston Finl Corp	Common Stock	1,325,347
Flextronics International Ltd	Common Stock	1,227,427
Food Technology Svcs Inc	Common Stock	530
Forbes Medi-Tech Inc	Common Stock	31,725
Ford Mtr Co	Common Stock	25,664
Forest Laboratories Inc	Common Stock	316,795
Fortune Brands Inc	Common Stock	2,145
Foster Wheeler Ltd	Common Stock	2,525
Forward	Common Stock	