

BAXTER INTERNATIONAL INC

Form 424B3

May 23, 2006

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Filed Pursuant to Rule 424(b)(3)  
Registration Nos. 333-133449  
333-133449-01

**PROSPECTUS**

**\$500,000,000**  
**Baxter Finco B.V.**  
**OFFER TO EXCHANGE**  
**4.750% Notes due 2010**  
**that have been registered under the Securities Act of 1933**  
**for any and all outstanding**  
**4.750% Notes due 2010**  
  
**Unconditionally and Irrevocably Guaranteed by**  
**Baxter International Inc.**

We are offering to exchange upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal (which together constitute the exchange offer), up to \$500,000,000 aggregate principal amount of our new 4.750% Notes due 2010 (which we refer to as the exchange notes) for our currently outstanding 4.750% Notes due 2010 (which we refer to as the outstanding notes). In this prospectus, we sometimes refer to the exchange notes and outstanding notes collectively as the notes. The outstanding notes are, and the exchange notes will be, unconditionally and irrevocably guaranteed by Baxter International Inc. The exchange notes and guarantees are substantially identical to the outstanding notes and guarantees, except that the exchange notes have been registered under the Securities Act of 1933, as amended (the Securities Act), will not have any of the transfer restrictions, registration rights or rights of additional interest applicable to the outstanding notes. The exchange notes will represent the same debt as the outstanding notes, and we will issue the exchange notes under the same indenture.

The principal features of the exchange offer are as follows:

The exchange offer expires at 5:00 p.m., New York City time, on June 19, 2006, unless extended.

We will exchange all outstanding notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer.

You may withdraw tenders of outstanding notes at any time prior to the expiration of the exchange offer.

We do not intend to apply for listing of the exchange notes on any securities exchange or for inclusion of the notes in any automated quotation system.

The exchange of outstanding notes for exchange notes pursuant to this exchange offer will not be a taxable event for United States federal income tax purposes.

We will not receive any proceeds from the exchange offer.

Each broker-dealer that receives exchange notes for its own account pursuant to this exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of exchange notes. The letter of transmittal accompanying this prospectus states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed to make this prospectus available for a period of 180 days after the expiration date of this exchange offer to any broker-dealer for use in connection with any

such resale. See Plan of Distribution.

**Please see Risk Factors beginning on page 6 for a discussion of certain risks that you should consider before participating in the exchange offer.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is May 22, 2006

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**You should rely only on the information incorporated by reference or provided in this prospectus. Neither Baxter nor Finco has authorized anyone to provide you with different information. You should not assume that the information incorporated by reference or provided in this prospectus is accurate as of any date other than the date of the document incorporated by reference or the date on the front of this prospectus, as applicable. You should read all information accompanying this prospectus.**

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**WHERE YOU CAN FIND MORE INFORMATION**

Baxter International Inc. files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or SEC. These SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. You may also read and copy any document Baxter files with the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room.

In addition, Baxter's common stock is listed and traded on the New York Stock Exchange. Accordingly, you may inspect the information Baxter files with the SEC at the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Baxter Finco B.V. is not required to file annual, quarterly, current or other reports with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act). Accordingly, Finco does not file separate financial statements with the SEC and does not independently publish its financial statements. There are no separate financial statements of Finco included or incorporated by reference in this prospectus. Finco and Baxter do not believe these financial statements would be helpful because:

Finco is an indirect wholly-owned subsidiary of Baxter, which files consolidated financial information under the Exchange Act;

Finco does not have independent operations other than issuing the notes and other necessary or incidental activities; and

Baxter unconditionally and irrevocably guarantees the notes of Finco.

Finco and Baxter have filed with the SEC a Registration Statement on Form S-4 under the Securities Act, of which this prospectus forms a part, in connection with the offering of the exchange notes. This prospectus does not contain all of the information in the registration statement. You will find additional information about Finco, Baxter and the exchange notes in the registration statement. Any statements made in this prospectus concerning the provisions of legal documents are not necessarily complete and you should read the documents that are filed as exhibits to the registration statement.

We are incorporating by reference in this prospectus certain information filed by Baxter with the SEC, which means that we are disclosing important business and financial information to you by referring you to those documents that are considered part of this prospectus. This prospectus incorporates by reference the documents filed by Baxter listed below and any future filings Baxter makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the prospectus and prior to the termination of any offering of securities offered by this prospectus:

Annual Report on Form 10-K for the year ended December 31, 2005, filed with the SEC on March 7, 2006;

Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, filed with the SEC on May 3, 2006; and

Current Reports on Form 8-K, filed with the SEC on February 17, 2006 and May 18, 2006.

The information incorporated by reference is an important part of this prospectus, and information that Baxter files later with the SEC will be deemed to update and supersede this information. Each of these documents is available from the SEC's website and Public Reference Room described above. Through Baxter's website, <http://www.baxter.com>, you can access electronic copies of documents Baxter files with the SEC, including the annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and any amendments to those reports. Information on Baxter's website is not incorporated by reference in this prospectus. Access to those electronic filings is available as soon as reasonably practicable after filing with the SEC. You may also request a copy of those filings, excluding exhibits unless such exhibits are specifically incorporated by reference, at no cost by writing or telephoning Baxter's principal executive offices at the following address:

Corporate Secretary

Baxter International Inc.  
One Baxter Parkway  
Deerfield, Illinois 60015  
(847) 948-2000

*In order to ensure timely delivery, you must request this information no later than June 12, 2006, which is five business days before the expiration date of the exchange offer.*

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**CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS**

The matters discussed in this prospectus that are not historical facts include forward-looking statements. The statements are based on assumptions about many important factors, including the following, that could cause actual results to differ materially from those in the forward-looking statements:

future actions of regulatory bodies and other governmental authorities, including the Food and Drug Administration and foreign counterparts that could delay, limit or suspend product development, manufacturing or sale or result in seizures, injunctions and monetary sanctions, including with respect to Baxter's infusion pumps;

product quality or patient safety issues, leading to product recalls, withdrawals, launch delays, litigation or declining sales;

product development risks, including satisfactory clinical performance, the ability to manufacture at appropriate scale, and the general unpredictability associated with the product development cycle;

demand for and market acceptance risks for new and existing products, such as ADVATE, and other technologies;

the impact of geographic and product mix on Baxter's sales;

the impact of competitive products and pricing, including generic competition, drug reimportation and disruptive technologies;

inventory reductions or fluctuations in buying patterns by wholesalers or distributors;

the availability of acceptable raw materials and component supply;

global regulatory, trade and tax policies;

the ability to enforce patents;

patents of third parties preventing or restricting Baxter's manufacture, sale or use of affected products or technology;

reimbursement policies of government agencies and private payers;

timely realization of the benefits of Baxter's restructuring initiatives;

foreign currency exchange fluctuations;

changes in credit agency ratings; and

other risks identified in this prospectus, including those risks described below under the caption "Risk Factors", and those risks identified in Baxter's other filings with the SEC, all of which are available on Baxter's website. Baxter does not undertake to update its forward-looking statements.

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**SUMMARY**

*The following summary information is qualified in its entirety by the information contained elsewhere in this prospectus, including the documents that are incorporated by reference in this prospectus and in the indenture as described under Description of the Notes and Guarantees. You should read the entire prospectus before participating in the exchange offer.*

**Baxter Finco B.V.**

Baxter Finco B.V., the issuer, is a private company of limited liability organized under the laws of The Netherlands and an indirect wholly-owned subsidiary of Baxter International Inc. Finco loaned the net proceeds of the offering of the outstanding notes to other wholly-owned subsidiaries of Baxter. Finco has no significant operations and after lending the proceeds of the offering of the outstanding notes does not have significant assets other than its right to repayment of these loans. Its principal executive offices are located at Kobaltweg 49, 3542 CE Utrecht, The Netherlands and its telephone number is (31) 030-248-8911.

**Baxter International Inc.**

Baxter International Inc., the guarantor, was incorporated under Delaware law in 1931. Its principal executive offices are located at One Baxter Parkway, Deerfield, Illinois 60015 and its telephone number is (847) 948-2000. Baxter assists healthcare professionals and their patients with the treatment of complex medical conditions, including hemophilia, immune disorders, infectious diseases, cancer, kidney disease, trauma and other conditions. The company applies its expertise in medical devices, pharmaceuticals and biotechnology to make a meaningful difference in patients' lives. Baxter's products are used by hospitals, clinical and medical research laboratories, blood and plasma collection centers, kidney dialysis centers, rehabilitation centers, nursing homes, doctors' offices and by patients at home under physician supervision. Baxter manufactures products in 28 countries and sells them in over 100 countries.

Baxter operates as a global leader in critical therapies for life-threatening conditions. The Medication Delivery, BioScience and Renal segments comprise Baxter's continuing operations. The Medication Delivery business manufactures intravenous solutions and administration sets, premixed drugs and drug reconstitution systems, pre-filled vials and syringes for injectable drugs, electronic infusion pumps, and other products used to deliver fluids and drugs to patients. The BioScience business manufactures plasma-based and recombinant proteins used to treat hemophilia, and other biopharmaceutical products, including plasma-based therapies to treat immune disorders, alpha 1 antitrypsin deficiency and other chronic blood-related conditions, biosurgery products for hemostasis, wound-sealing, and tissue regeneration, and vaccines. The Renal business manufactures products for peritoneal dialysis, a home therapy for people with end-stage renal disease, or irreversible kidney failure. The Renal business also distributes products (hemodialysis instruments and disposables, including dialyzers) for hemodialysis, a form of dialysis generally conducted several times a week in a hospital or clinic. These businesses enjoy leading positions in the medical products and services fields.

**The Exchange Offer**

On October 5, 2005, Finco sold \$500,000,000 aggregate principal amount of the outstanding notes in a private placement to initial purchasers pursuant to a purchase agreement dated September 28, 2005. The outstanding notes are, and the exchange notes will be, fully and unconditionally guaranteed by Baxter International Inc. The initial purchasers subsequently resold the outstanding notes to qualified institutional buyers in reliance on Rule 144A under the Securities Act.

In connection with this private placement of the outstanding notes, Baxter and Finco entered into a registration rights agreement with the initial purchasers in which we agreed, among other things, to complete the exchange offer within 270 days after the original issue date of the outstanding notes.



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In the exchange offer, you are entitled to exchange your outstanding notes and guarantees for exchange notes and guarantees, which are substantially identical to the outstanding notes and guarantees except:

the exchange notes have been registered under the Securities Act and, therefore, will contain no restrictive legend; and

the exchange notes are not entitled to any registration rights or rights to additional interest.

Exchange Offer                      Finco is offering to exchange up to \$500,000,000 aggregate principal amount of its exchange notes for any and all of its currently outstanding notes.

You may only exchange outstanding notes in minimum denominations of \$100,000 principal amount of exchange notes and additional integral multiples of \$1,000 for each \$100,000 principal amount and additional integral multiples of \$1,000 of outstanding notes.

Expiration Date                      The exchange offer will expire at 5:00 p.m., New York City time, on June 19, 2006 (the Expiration Date ), unless extended.

Procedures for Tendering  
Outstanding Notes                      If you wish to participate in the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, on or before the Expiration Date according to the instructions contained in this prospectus and the letter of transmittal. You must then mail or otherwise deliver the letter of transmittal, or a facsimile of the letter of transmittal, together with the outstanding notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal. If you hold outstanding notes through The Depository Trust Company, which we refer to as DTC, and wish to participate in the exchange offer, you must comply with the Automated Tender Offer Program procedures of DTC, by which you will agree to be bound by the letter of transmittal. If you cannot satisfy either of these procedures on or before the Expiration Date, then you should comply with the guaranteed delivery procedures described below. By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among other things:

you are not an affiliate of Baxter or Finco within the meaning of Rule 405 under the Securities Act or a broker-dealer tendering notes acquired directly from us for your own account;

you are not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the exchange notes;

you are acquiring the exchange notes in the ordinary course of your business; and

if you are a broker-dealer that will receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making or other trading

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activities, that you will deliver a prospectus, as required by law, in connection with any resale or other transfer of such exchange notes.

If you are an affiliate of Baxter or Finco within the meaning of Rule 405 under the Securities Act or are engaging in, or intend to engage in, or have any arrangement or understanding with any person to participate in, a distribution of the exchange notes, you cannot rely on the applicable positions and interpretations of the staff of the SEC, you will not be able to tender your outstanding notes in the exchange offer and you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale or other transfer of the notes.

**Special Procedures for Beneficial Owners**

If you are a beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender those outstanding notes in the exchange offer, you should contact the registered holder promptly and instruct the registered holder to tender those outstanding notes on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your outstanding notes, either make appropriate arrangements to register ownership of the outstanding notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take a considerable amount of time and may not be able to be completed prior to the Expiration Date.

**Guaranteed Delivery Procedures**

If you wish to tender your outstanding notes and your outstanding notes are not immediately available or you cannot deliver your outstanding notes, the letter of transmittal or any other documents required by the letter of transmittal prior to the Expiration Date, or you cannot comply with the applicable procedures under DTC's Automated Tender Offer Program prior to the Expiration Date, you must tender your outstanding notes according to the guaranteed delivery procedures set forth in this prospectus under Exchange Offer Guaranteed Delivery Procedures.

**Withdrawal Rights**

You may withdraw the tender of your outstanding notes at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

**Conditions to the Exchange Offer**

The exchange offer is subject to customary conditions, which we may assert or waive. See Exchange Offer Conditions to the Exchange Offer.

**Resale**

Based on interpretations by the staff of the SEC set forth in no-action letters issued to third parties, we believe that you may resell or otherwise transfer exchange notes issued in the exchange offer without complying with the registration and prospectus delivery provisions of the Securities Act, if:

you are not an affiliate of Baxter or Finco within the meaning of Rule 405 under the Securities Act or a broker-dealer tendering notes acquired directly from us for your own account;

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you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the exchange notes; and

you are acquiring the exchange notes in the ordinary course of your business.

If you are an affiliate of Baxter or Finco, or are engaging in, or intend to engage in, or have any arrangement or understanding with any person to participate in, a distribution of the exchange notes, or are not acquiring the exchange notes in the ordinary course of your business, in the absence of an exception from the position of the SEC stated above, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale or other transfer of the notes.

If you are a broker-dealer and receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making activities or other trading activities, you must acknowledge that you will deliver this prospectus in connection with any resale of the exchange notes. See Plan of Distribution for a description of the prospectus delivery obligations of broker-dealers.

Furthermore, any broker-dealer that acquired any of its original notes directly from us:

will not be able to rely on the interpretations of the staff of the SEC set forth in the applicable no-action letters; and

must also be named as a selling security holder in connection with the registration and prospectus delivery requirements of the Securities Act relating to any resale transaction.

**Consequences of Failure to Exchange**

All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the indenture. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. See Exchange Offer Consequences of Failure to Exchange.

We do not intend to register any outstanding notes under the Securities Act other than in the exchange offer or as otherwise may be required under the registration rights agreement.

**Fees and Expenses**

We will be responsible for all fees and expenses incurred in connection with the exchange offer. See Exchange Offer Fees and Expenses.

**Regulatory Approvals**

Other than the federal securities laws, there are no federal or state regulatory requirements that we must comply with and there are no approvals that we must obtain in connection with the exchange offer.

Certain United States Federal Income Tax Considerations      The exchange of outstanding notes for exchange notes pursuant to this exchange offer will not be a taxable event for United

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	States federal income tax purposes. See Certain United States Federal Income Tax Considerations.
Certain Netherlands Tax Considerations	The exchange of outstanding notes for exchange notes pursuant to this exchange offer will not result in Netherlands income tax, subject to the factual considerations in Certain Netherlands Tax Considerations.
Use of Proceeds	We will not receive any proceeds from the issuance of exchange notes in the exchange offer. See Use of Proceeds.
Exchange Agent	J.P. Morgan Trust Company, National Association, is the exchange agent for the exchange offer. The address and telephone number of the exchange agent are listed under the heading Exchange Offer Exchange Agent.
	<b>The Exchange Notes</b>
Issuer	Baxter Finco B.V.
Guarantor	Baxter International Inc. will unconditionally and irrevocably guarantee payment, as and when the same becomes due, of the principal and interest on the exchange notes.
Exchange Notes Offered	Up to \$500,000,000 aggregate principal amount of 4.750% Notes due 2010.
Maturity Date and Interest Rate	The exchange notes will mature on October 15, 2010 and will bear interest at the rate of 4.750% per annum.
Interest Payment Dates	April 15 and October 15 of each year.
Redemption	Finco may redeem the exchange notes, in whole or in part, at any time at the make-whole prices described in Description of the Notes and Guarantees Optional Redemption. In addition, Finco may redeem the exchange notes upon certain events described in Description of the Notes and Guarantees Optional Tax Redemption.
Ranking	The exchange notes and the guarantees are senior unsecured obligations of Finco and Baxter, respectively, and will rank equally with existing and future senior indebtedness of Finco and Baxter, respectively. See Description of the Notes and Guarantees Ranking. At March 31, 2006, Baxter had approximately \$1.394 billion of senior unsecured indebtedness outstanding.
Certain Indenture Provisions	We will issue the exchange notes under the same indenture as the outstanding notes. The indenture governing the exchange notes and the guarantees contains covenants limiting the ability of Baxter and Baxter's restricted subsidiaries to incur secured debt and enter into sale and leaseback transactions. These covenants are subject to a number of important limitations and exceptions. See Description of the Notes and Guarantees Restrictive Covenants.
Trustee, Registrar and Paying Agent	J.P. Morgan Trust Company, National Association



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**RISK FACTORS**

*In addition to the other information set forth elsewhere or incorporated by reference into this prospectus, the factors described below relating to the exchange offer and the exchange notes should be considered carefully in deciding whether to participate in the exchange offer. Unless the context requires otherwise, we, us and our in this section mean Baxter International Inc.*

**Risks Related to the Exchange Offer**

***You may have difficulty selling the outstanding notes that you do not exchange.***

If you do not exchange your outstanding notes for exchange notes in the exchange offer, you will continue to be subject to restrictions on transfer of your outstanding notes as set forth in the offering memorandum distributed in connection with the private offering of the outstanding notes. In general, the outstanding notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, neither Baxter nor Finco intends to register resales of the outstanding notes under the Securities Act. You should refer to Exchange Offer for information about how to tender your outstanding notes. The tender of outstanding notes under the exchange offer will reduce the principal amount of the outstanding notes outstanding, which may have an adverse effect upon, and increase the volatility of, the market prices of the outstanding notes due to a reduction in liquidity.

***You must follow the exchange offer procedures carefully in order to receive the exchange notes.***

If you do not follow the procedures described herein and in the applicable attachments hereto, you will not receive any exchange notes. The exchange notes will be issued to you in exchange for outstanding notes only after timely receipt by the exchange agent of your outstanding notes and either:

a properly completed and executed letter of transmittal and all other required documents; or

a book-entry delivery by electronic transmittal of an agent's message through the Automated Tender Offer Program of DTC.

If you want to tender your outstanding notes in exchange for exchange notes, you should allow sufficient time to ensure timely delivery. No one is under any obligation to give you notification of defects or irregularities with respect to tenders of outstanding notes for exchange. For additional information, see the section captioned Exchange Offer in this prospectus.

**Risks Related to the Notes**

***Finco has no significant operations or assets other than its right to repayment of loans made to other wholly-owned Baxter subsidiaries.***

The notes are obligations of Finco and are unconditionally and irrevocably guaranteed by Baxter. Finco is an indirect wholly-owned subsidiary of Baxter with no significant operations. After lending the proceeds of the private offering of the outstanding notes to other wholly-owned subsidiaries of Baxter, Finco has no significant assets other than its right to repayment of these loans. As a result, Finco's ability to service its debt depends entirely upon the earnings and operating capital requirements of Baxter and its subsidiaries.

**Risks Related to Baxter's Business**

***If we are unable to successfully introduce new products or fail to keep pace with advances in technology, our business, financial condition and results of operations could be adversely affected.***

The successful and timely implementation of our business model depends on our ability to adapt to changing technologies and introduce new products. The success of new product offerings will depend on many factors, including our ability to properly anticipate and satisfy customer needs, obtain regulatory approvals on a timely basis, develop and manufacture products in an economic and timely manner, maintain advantageous positions with respect to intellectual property, and differentiate our products from those of our competitors. A failure by us to introduce planned products or other new products or to

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introduce these products on schedule could have an adverse effect on our business, financial condition and results of operations.

The development and acquisition of innovative products and technologies that improve efficacy, safety, patients ease of use and cost-effectiveness are important to our success. If we cannot adapt to changing technologies, our products may become obsolete, and our business could suffer. Because the healthcare industry is characterized by rapid technological change, we may be unable to anticipate changes in our current and potential customers requirements. Our success will depend, in part, on our ability to continue to enhance our existing products, develop new technology that addresses the increasingly sophisticated and varied needs of our prospective customers, license or acquire leading technologies and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of our proprietary technology entails significant technical and business risks.

***We are subject to a number of existing laws and regulations, non-compliance with certain of which could adversely affect our business, financial condition and results of operations, and we are susceptible to a changing regulatory environment.***

As a participant in the healthcare industry, our operations and products, and those of our customers, are regulated by numerous governmental agencies, both within and outside the United States. The impact of this on us is direct, to the extent we are ourselves subject to these laws and regulations, and is also indirect in that in a number of situations, even though we may not be directly regulated by specific healthcare laws and regulations, our products must be capable of being used by our customers in a manner that complies with those laws and regulations.

The manufacture, distribution and marketing of our products are subject to extensive ongoing regulation by the FDA. Any new product must undergo lengthy and rigorous clinical testing and other extensive, costly and time-consuming procedures mandated by the FDA and foreign regulatory authorities. We may elect to delay or cancel our anticipated regulatory submissions for new indications for our current or proposed new products for a number of reasons. Failure to comply with the requirements of the FDA could result in warning letters, product recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution of products, civil or criminal sanctions, refusal of the government to grant approvals, restrictions on operations or withdrawal of existing approvals.

We are currently addressing issues with our infusion pumps. Although we are working to resolve these pump issues with the FDA and in related litigation, we nevertheless are subject to administrative and legal actions. These actions include product recalls, additional product seizures, injunctions to halt manufacture and distribution, restrictions on our operations, civil sanctions, including monetary sanctions, and criminal actions. Any of these actions could have an adverse effect on our business and subject us to additional regulatory actions including costly litigation. There can be no assurance that we will resolve these pump issues without incurring additional charges or facing sanctions. In addition, our sales of other products may be adversely affected if we experience a loss of customer confidence as a result of these pump issues.

In addition, the healthcare regulatory environment may change in a way that restricts our existing operations or our growth. The healthcare industry is likely to continue to undergo significant changes for the foreseeable future, which could have an adverse effect on our business, financial condition and results of operations. We cannot predict the effect of possible future legislation and regulation.

***If reimbursement for our current or future products is reduced or modified, our business would suffer.***

Sales of our products depends, in part, on the extent to which the costs of our products are paid by health maintenance, managed care, pharmacy benefit and similar health care management organizations, or reimbursed by government health administration authorities, private health coverage insurers and other third-party payors. These health care management organizations and third-party payors are increasingly challenging the prices charged for medical products and services. Additionally, the containment of healthcare costs has become a priority of federal and state governments, and the prices of drugs have been targeted in this effort. We also face challenges in certain foreign markets where the pricing and



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profitability of our products generally are subject to government controls. Accordingly, our current and potential products may not be considered cost effective, and reimbursement to the consumer may not be available or sufficient to allow us to sell our products on a competitive basis. Legislation and regulations affecting reimbursement for our products may change at any time, including in ways that are adverse to us. Any reduction in Medicare, Medicaid or other third-party payor reimbursements could have a negative effect on our operating results.

***Failure to provide quality products and services to our customers could have an adverse effect on our business and subject us to regulatory actions and costly litigation.***

Our future operating results will depend on our ability to implement and improve our quality management program, and effectively train and manage our employee base with respect to quality management. We place significant emphasis on providing quality products and services to our customers. Quality management plays an essential role in determining and meeting customer requirements, preventing defects and improving the company's products and services. While Baxter has a network of quality systems throughout our business units and facilities, which relate to the design, development, manufacturing, packaging, sterilization, handling, distribution and labeling of our products, quality and safety issues may occur with respect to any of our products. A quality or safety issue could have an adverse effect on our business, financial condition and results of operations and may subject us to regulatory actions, including product recalls, additional product seizures, injunctions to halt manufacture and distribution, restrictions on our operations, civil sanctions, including monetary sanctions, criminal actions and costly litigation. In addition, we may be named as a defendant in product liability lawsuits, which could result in costly litigation, reduced sales, significant liabilities and diversion of our management's time, attention and resources. Even claims without merit could subject us to adverse publicity and require us to incur significant legal fees.

***Consolidation in the healthcare industry could adversely affect our business, financial condition and results of operations.***

There has been consolidation in our customer base, and by our competitors, which has resulted in pricing and sales pressures. As these consolidations occur, competition to provide products like ours will become more intense, and the importance of establishing relationships with key industry participants will become greater. Customers will continue to work and organize to negotiate price reductions for our products and services. To the extent we are forced to reduce our prices, our business will become less profitable unless we were able to achieve corresponding reductions in our expenses.

***If we are unable to protect our patents and other proprietary rights or infringe upon the patents or other proprietary rights of others, our competitiveness and business prospects may be materially damaged.***

Patent and other proprietary rights are essential to our business. Our success depends to a significant degree on our ability to obtain and enforce patents and licenses to patent rights, both in the U.S. and in other countries. The patent position of a healthcare company is often uncertain and involves complex legal and factual questions. Significant litigation concerning patents and products is pervasive in our industry. Patent claims include challenges to the coverage and validity of our patents on products or processes as well as allegations that our products infringe patents held by competitors or other third parties. A loss in any of these types of cases could result in a loss of patent protection or the ability to market products, which could lead to a significant loss of sales, or otherwise materially affect future results of operations.

We also rely on trademarks, copyrights, trade secrets and know-how to develop, maintain and strengthen our competitive positions. While we protect our proprietary rights to the extent possible, we cannot guarantee that third parties will not know, discover or develop independently equivalent proprietary information or techniques, that they will not gain access to our trade secrets or disclose our trade secrets to the public. Therefore, we cannot guarantee that we can maintain and protect unpatented proprietary information and trade secrets. Misappropriation of our intellectual property would have an adverse effect on our competitive position and may cause us to incur substantial litigation costs.

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***We have many competitors, several of which have significantly greater financial and other resources.***

Although no single company competes with Baxter in all of its businesses, Baxter faces substantial competition in each of its segments, from international and domestic healthcare and pharmaceutical companies of all sizes. Competition is primarily focused on cost-effectiveness, price, service, product performance, and technological innovation. Some competitors, principally large pharmaceutical companies, have greater financial, research and development and marketing resources than Baxter. Competition may increase further as additional companies begin to enter our markets or modify their existing products to compete directly with ours. Greater financial, research and development and marketing resources may allow our competitors to respond more quickly to new or emerging technologies and changes in customer requirements that may render our products obsolete or non-competitive.

***If our competitors develop more effective or affordable products, or achieve earlier patent protection or product commercialization than we do, our operations will likely be negatively affected.***

We also face competition for marketing, distribution and collaborative development agreements, for establishing relationships with academic and research institutions, and for licenses to intellectual property. In addition, academic institutions, government agencies and other public and private research organizations also may conduct research, seek patent protection and establish collaborative arrangements for discovery, research, clinical development and marketing of products similar to ours. These companies and institutions compete with us in recruiting and retaining qualified scientific and management personnel as well as in acquiring technologies complementary to our programs.

***We are subject to risks associated with doing business internationally.***

Our foreign operations are subject to risks which are inherent in conducting business overseas and under foreign laws, regulations and customs. These risks include possible nationalization, expropriation, importation limitations, violations of U.S. or local laws, pricing restrictions, and other restrictive governmental actions or economic destabilization, instability, disruption or destruction in a significant geographic region due to the location of manufacturing facilities, distribution facilities or customers regardless of cause, including war, terrorism, riot, civil insurrection or social unrest; and natural or man-made disasters, including famine, flood, fire, earthquake, storm or disease. Also, fluctuations in foreign currency exchange rates can impact our consolidated financial results.

#### **EXCHANGE OFFER**

#### **Registration Rights Agreement**

*Unless the context requires otherwise, the terms we, us and our in this section mean Baxter Finco B.V. and Baxter International Inc. collectively. The following summary of certain provisions of the registration rights agreement does not purport to be complete and is subject to, and qualified in its entirety by reference to, the actual registration rights agreement. For a complete description of the terms of the registration rights agreement, you should read the registration rights agreement, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part. In addition, you should not construe this description of the interpretations of, and positions taken by, the staff of the SEC as legal advice. You should consult your own legal advisor about these matters.*

*Exchange Offer Registration Statement.* In connection with the private placement of the outstanding notes, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed, for the benefit of the holders of the outstanding notes, at our cost, to use our reasonable best efforts to:

file with the SEC an exchange offer registration statement under the Securities Act for exchange notes to be exchanged for outstanding notes;

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cause the exchange offer registration statement to be declared effective within 240 days after the date of the original issuance of the outstanding notes; and

to have the exchange offer registration statement remain effective until six months following the closing of the exchange offer.

Upon the exchange offer registration statement being declared effective, we agreed to use our reasonable best efforts to complete such exchange offer within 270 days after the date of the original issuance of the outstanding notes. We agreed to keep the exchange offer open for not less than 20 business days, or longer if required by applicable law, after the exchange offer registration statement becomes effective.

*Transferability.* For each outstanding note surrendered to us pursuant to the exchange offer, the holder of such outstanding note will receive an exchange note having a principal amount equal to that of the surrendered outstanding note. Interest on each exchange note will accrue from the last interest payment date on which interest was paid on the outstanding note surrendered in exchange therefor. The registration rights agreement also provides an agreement to include in the prospectus for the exchange offer certain information necessary to allow a broker-dealer who holds outstanding notes that were acquired for its own account as a result of market-making activities or other trading activities to exchange such outstanding notes pursuant to the exchange offer and to satisfy the prospectus delivery requirements in connection with resales of exchange notes received by such broker-dealer in such exchange offer. We agreed to maintain the effectiveness of the registration statement for these purposes for six months after the closing of the exchange offer.

The preceding agreement is needed because any broker-dealer who acquires outstanding notes for its own account as a result of market-making activities or other trading activities may be deemed to be an underwriter within the meaning of the Securities Act and is required to deliver a prospectus meeting the requirements of the Securities Act. This prospectus covers the offer and sale of the exchange notes pursuant to the exchange offer made pursuant to this prospectus and the resale of exchange notes received in the exchange offer by any broker-dealer under such circumstances.

Based on existing interpretations of the Securities Act by the SEC's staff contained in several no-action letters to third parties, and subject to the immediately following sentence, we believe that after the exchange offer, the exchange notes will generally be freely transferable by holders without further registration under the Securities Act, subject to certain representations required to be made by each holder of exchange notes, as set forth below. However, any holder of outstanding notes who is an affiliate of ours who is engaged in, or intends to engage in, or has an arrangement or understanding with any person to participate in, a distribution of the exchange notes, that holder or other person:

will not be able to rely on the interpretations of the staff of the SEC set forth in the applicable no-action letters;

will not be able to tender its outstanding notes in the exchange offer; and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the outstanding notes unless the sale or transfer is made pursuant to an exemption from such requirements. See Plan of Distribution.

In addition, each broker-dealer that receives the exchange notes for its own account in exchange for outstanding notes, where the broker-dealer acquired the outstanding notes as a result of market-making activities or other trading activities, must acknowledge that it will deliver this prospectus in connection with any resale of such exchange notes.

Each holder of outstanding notes who wishes to exchange outstanding notes for exchange notes in the exchange offer will be required to make various representations including that:

the holder is not an affiliate of ours (within the meaning of Rule 405 of the Securities Act) or a broker-dealer tendering notes acquired directly from us for its own account;

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the exchange notes are being acquired in the ordinary course of business of the person receiving the exchange notes, whether or not that person is the holder; and

neither the holder nor the other person has any arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the exchange notes.

In the case of a holder that is not a broker-dealer, that holder, by tendering, will also represent to us that the holder is not engaged in, and does not intend to engage in, a distribution of the exchange notes.

*Shelf Registration Statement.* If (1) because of any change in law, SEC rules or regulations or the applicable interpretations of the Staff of the SEC, we are not permitted to effect the exchange offer, (2) for any other reason the exchange offer has not been consummated within 270 days after the original issuance of the notes, (3) any initial purchaser requests with respect to outstanding notes that are not eligible to be exchanged in the exchange offer and that are held by it following the exchange offer, (4) any holder of the outstanding notes (other than an initial purchaser) is not eligible to participate in the exchange offer or (5) in the case of any initial purchaser that participates in the exchange offer or acquires exchange notes, such initial purchaser does not receive freely tradable exchange notes in exchange for notes constituting any portion of an unsold allotment, we will:

file a shelf registration statement covering resales of the notes as promptly as practicable (but in no event more than 90 days after required or requested pursuant to any of the above circumstances);

use reasonable best efforts to cause the shelf registration statement to be declared effective by the SEC within 240 days after required or requested pursuant to any of the above circumstances; and

use reasonable best efforts to keep the shelf registration statement continuously effective until the earlier of (1) two years from the date the shelf registration statement is declared effective and (2) such time as all of the notes covered by the shelf registration statement have been sold under the shelf registration statement.

If we file a shelf registration statement, we will notify holders when such registration statement has become effective and take other actions which are required to permit unrestricted resales of the notes. If a holder sells notes under the shelf registration statement, such holder will be:

required to deliver information to be used in connection with the shelf registration statement;

required to be named as a selling security holder in the related prospectus;

required to deliver a prospectus to purchasers if required by applicable law;

subject to certain of the civil liability provisions under the Securities Act in connection with the sales; and

bound by some of the provisions of the registration rights agreement, including those regarding indemnification rights and obligations.

*Additional Interest.* We will pay additional interest on the outstanding notes upon occurrence of any of the following events:

if the SEC does not declare the exchange offer registration statement effective within 240 days after the closing date of the issuance of the outstanding notes;

if the exchange offer is not completed within 270 days after the closing date of the issuance of the outstanding notes; or

if we have filed, and the SEC has declared effective, the shelf registration statement and at any time prior to the earlier of two years from the date the shelf registration is declared effective and such time as all the outstanding notes covered by the shelf registration statement have been disposed of under the shelf registration statement, the shelf registration statement ceases to be effective, or fails to be usable for its intended purpose without being

succeeded within two business

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days by a post-effective amendment which cures the failure and that is itself immediately declared effective; then additional interest will accrue on the notes in addition to the rate shown on the cover page of this prospectus from and including the date on which any such registration default shall occur to, but excluding, the date on which the registration default has been cured, at the rate of .25% per year, plus an additional .25% per year from and during any period in which the registration default has continued for more than 90 days, up to a maximum rate of .50% per year. In no event will the additional interest on the notes exceed .50% per year. The foregoing circumstances under which we may be required to pay additional interest are not cumulative. Further, any additional interest will cease to accrue when all of the events described above have been cured or upon the expiration of the second anniversary of the closing date of the issuance of the outstanding notes.

Except as set forth above, after consummation of the exchange offer, holders of outstanding notes have no registration or exchange rights under the registration rights agreement. See Consequences of Failure to Exchange.

**Terms of the Exchange Offer**

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept for exchange any and all outstanding notes validly tendered and not withdrawn on or before the Expiration Date of the exchange offer and will issue exchange notes in exchange for outstanding notes accepted in the exchange offer. Holders may tender some or all of their outstanding notes pursuant to the exchange offer. However, outstanding notes may be tendered only in minimum denominations of \$100,000 principal amount and additional integral multiples of \$1,000. As of the date of this prospectus, \$500,000,000 aggregate principal amount of the unregistered notes are outstanding.

The terms of the exchange notes are substantially identical to the terms of the outstanding notes, except that the exchange notes will have been registered under the Securities Act and will therefore not bear legends restricting their transfer pursuant to the Securities Act,

except as otherwise described above, holders of the exchange notes will not be entitled to the rights of holders of outstanding notes under the registration rights agreement, and

the exchange notes will not have rights to additional interest.

The exchange notes will evidence the same debt as the outstanding notes which they replace, and will be issued under, and be entitled to the benefits of, the indenture which governs all of the notes.

This prospectus, together with the letter of transmittal, is first being sent on or about May 22, 2006 to all holders of outstanding notes known to us as of such date. Only a registered holder of outstanding notes or such holder's legal representative or attorney-in-fact as reflected on the records of the trustee under the indenture may participate in the exchange offer. There will be no fixed record date for determining registered holders of the outstanding notes entitled to participate in the exchange offer.

Holders of outstanding notes do not have any appraisal or dissenters' rights under the indenture in connection with the exchange offer. We intend to conduct the exchange offer in accordance with the applicable requirements of the Securities Act, the Exchange Act and the rules and regulations of the SEC promulgated thereunder.

We shall be deemed to have accepted validly tendered outstanding notes if and when we have given oral or written notice of that acceptance to the exchange agent. The exchange agent will act as our agent for the purpose of receiving the outstanding notes from and distributing the exchange notes to the tendering holders. The exchange notes to be delivered pursuant to the exchange offer will be delivered promptly after expiration of the exchange offer.

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If any tendered outstanding notes are not accepted for exchange because of an invalid tender, the occurrence of other events set forth in this prospectus or otherwise, certificates for any such unaccepted outstanding notes will be returned, without expense, to the tendering holder of such outstanding notes as promptly as practicable after the Expiration Date.

Holders who tender outstanding notes in the exchange offer will not be required to pay brokerage commissions or fees or, except as set forth below under **Transfer Taxes**, transfer taxes with respect to the exchange of outstanding notes pursuant to the exchange offer. We will pay all charges and expenses, other than various applicable taxes, if any, in connection with the exchange offer. See **Fees and Expenses**.

### **Expiration Date; Extensions; Amendments**

The term **Expiration Date** with respect to the exchange offer shall mean 5:00 p.m., New York City time, on June 19, 2006, unless we, in our sole discretion, extend the period of time for which the exchange offer is open, in which case the term **Expiration Date** shall mean the latest date and time to which we extend the exchange offer.

In order to extend the exchange offer, we will notify the exchange agent of any extension by oral or written notice and will make a public announcement of the extensions, each prior to 9:00 a.m. New York City time, on the next business day after the previously scheduled Expiration Date of the exchange offer.

We reserve the right, in our sole discretion:

to delay accepting the outstanding notes;

to extend the exchange offer;

if any of the conditions set forth below under **Conditions to the Exchange Offer** have not been satisfied, to terminate the exchange offer; or

to amend the terms of the exchange offer in any manner.

We may affect any such delay, extension, termination or amendment by giving oral or written notice of that to the exchange agent.

Except as specified in the second paragraph under this heading, any such delay in acceptance, extension, termination, or amendment will be followed as promptly as practicable by a public announcement. If the exchange offer is amended in a manner determined by us to constitute a material change, we will promptly disclose that amendment in a manner reasonably calculated to inform the holders of the outstanding notes of that amendment.

Without limiting the manner in which we may choose to make a public announcement of any delay, extension, termination or amendment of any exchange offer, we shall not have an obligation to publish, advertise, or otherwise communicate any such public announcement, other than by making a timely release of the announcement to a financial news service.

### **Procedures for Tendering Outstanding Notes**

The tender by a holder of outstanding notes pursuant to any of the procedures set forth below will constitute the tendering holder's acceptance of the terms and conditions of the exchange offer.

Our acceptance for exchange of outstanding notes tendered pursuant to any of the procedures described below will constitute a binding agreement between the tendering holder and us in accordance with the terms and subject to the conditions of the exchange offer. Only registered holders are authorized to tender their outstanding notes. The procedures by which outstanding notes may be tendered by beneficial owners that are not registered holders will depend upon the manner in which the outstanding notes are held. You should not send the letter of transmittal or outstanding notes to Finco or Baxter.

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*Tender of outstanding notes held in physical form.* To effectively tender outstanding notes held in physical form pursuant to the exchange offer:

a properly completed letter of transmittal applicable to such outstanding notes (or a facsimile of the letter of transmittal) duly executed by the holder of such outstanding notes, and any other documents required by the letter of transmittal, must be received by the exchange agent at one of its addresses set forth below, and tendered outstanding notes must be received by the exchange agent at its address (or delivery effected through the deposit of outstanding notes into the exchange agent's account with DTC and making book-entry delivery as set forth below) on or prior to the Expiration Date of the exchange offer; or

under certain circumstances the tendering holder must comply with the guaranteed delivery procedures set forth below under **Guaranteed Delivery Procedures**.

*Tender of outstanding notes held through a custodian.* To effectively tender outstanding notes that are held of record by a custodian bank, depository, broker, trust company or other nominee, the beneficial owner of the outstanding notes must instruct such holder to tender the outstanding notes on the beneficial owner's behalf. A letter of instructions from the record owner to the beneficial owner may be included in the materials provided along with this prospectus which may be used by the beneficial owner in this process to instruct the registered holder of the beneficial owner's outstanding notes to effect the tender.

If you are a beneficial owner and wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your outstanding notes, either make appropriate arrangements to register ownership of the outstanding notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take a considerable amount of time and may not be able to be completed prior to the Expiration Date.

*Tender of outstanding notes held through DTC.* To effectively tender outstanding notes that are held through DTC, DTC participants should electronically transmit their acceptance through the DTC Automated Tender Offer Program ( **ATOP** ), for which the transaction will be eligible, and DTC will then edit and verify the acceptance and send an **Agent's Message** to the exchange agent for its acceptance. Delivery of tendered outstanding notes held through DTC must be made to the exchange agent pursuant to the book-entry delivery procedures set forth below under **Book-Entry Transfer**, or the tendering DTC participant must comply with the guaranteed delivery procedures set forth below under **Guaranteed Delivery Procedures**.

The term **Agent's Message** means a message transmitted by DTC to, and received by, the exchange agent and forming a part of the **Book-Entry Confirmation**, which states that DTC has received an express acknowledgement from each participant in DTC tendering the outstanding notes and that such participant has received the letter of transmittal and agrees to be bound by the terms of that letter of transmittal and that we may enforce that agreement against the participant.

Alternatively, pursuant to authority granted by DTC, any DTC participant that has outstanding notes credited to its DTC account at any time (and thereby held of record by DTC's nominee) may directly tender their outstanding notes as if they were holders. To effect a tender, such DTC participants should complete and sign the letter of transmittal or a facsimile of the letter of transmittal, have the signature thereon guaranteed if required by Instruction 1 of the letter of transmittal, and mail or deliver the letter of transmittal or the facsimile pursuant to the procedures for book-entry transfer set forth below under **Book-Entry Transfer**.

**The method of delivery of outstanding notes and the letter of transmittal, any required signature guarantees and all other required documents, including delivery through DTC and any acceptance of an Agent's Message transmitted through ATOP, is at the election and risk of the person tendering outstanding notes and delivering the letter of transmittal. Except as otherwise provided in the letter of transmittal, delivery will be deemed made only when actually received by the exchange agent. If delivery is by mail, it is suggested that the holder use properly insured, registered mail with return receipt**



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**requested, and that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the exchange agent prior to such date.**

Except as provided below, unless the outstanding notes being tendered are deposited with the exchange agent on or prior to the Expiration Date of the exchange offer (accompanied by a properly completed and duly executed letter of transmittal or a properly transmitted Agent's Message), we may, at our option, reject such tender. Exchange of registered notes for outstanding notes will be made only against deposit of the tendered outstanding notes and delivery of all other required documents.

Signatures on all letters of transmittal must be guaranteed by a recognized member of a Medallion Signature Guarantee Program or by any other eligible guarantor institution, as such term is defined in Rule 17Ad-15 promulgated under the Exchange Act (each of the foregoing, an Eligible Institution), unless the outstanding notes tendered thereby are tendered

by a registered holder of outstanding notes (or by a participant in DTC whose name appears on a DTC security position listing as the owner of the outstanding notes) who has not completed either the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal; or

for the account of an Eligible Institution.

See Instruction 1 of the letter of transmittal. If the outstanding notes are registered in the name of a person other than the signer of the letter of transmittal or if outstanding notes not accepted for exchange or not tendered are to be returned to a person other than the registered holder, then the signatures on the letter of transmittal accompanying the tendered outstanding notes must be guaranteed by an Eligible Institution as described above. See Instructions 1 and 5 of the letter of transmittal.

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered outstanding notes will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any and all outstanding notes not properly tendered or any outstanding notes our acceptance of which, in the opinion of our counsel, would be unlawful.