



Baxter

Third-Quarter 2021 Earnings

Baxter International Inc.

October 28, 2021

Forward-Looking Statements

This presentation includes forward-looking statements concerning Baxter's financial results, business development activities, capital structure, cost savings initiatives, R&D pipeline, including results of clinical trials and planned product launches, and outlook for fourth-quarter and full-year 2021. These forward-looking statements are based on assumptions about many important factors, including the following, which could cause actual results to differ materially from those in the forward-looking statements: the effects of the ongoing COVID-19 pandemic on our business, employees and the businesses of our customers; demand for and market acceptance of risks for new and existing products (including the impact of reduced hospital admission rates and elective surgery volumes); product development risks (including any delays in required regulatory approvals); product quality or patient safety concerns; the impact of competitive products and pricing, including generic competition, drug reimportation and disruptive technologies; accurate identification of and execution on business development and R&D opportunities and realization of anticipated benefits (including the acquisitions of Cheetah Medical, Seprafilm Adhesion Barrier, the rights to Caelyx/Doxil for specified territories outside the U.S., Transderm Scop, PerClot and the pending acquisition of Hillrom); loss of key employees or inability to identify and recruit new employees; continuity, availability and pricing of acceptable raw materials and component supply or the inability to create additional production capacity in a timely manner or the occurrence of other manufacturing or supply difficulties (including as a result of a natural disaster, public health crises and epidemics/pandemics, regulatory actions or otherwise); breaches or failures of the company's information technology systems or products, including by cyberattack, unauthorized access or theft; the impact of global economic conditions (including potential trade wars); future actions of regulatory bodies and other governmental authorities, including FDA, the Department of Justice, the SEC, the New York Attorney General, the Environmental Protection Agency and foreign regulatory agencies, including the SEC's investigation of the misstatements in previously reported non-operating income related to foreign exchange gains and losses or the continued delay in lifting the warning letter at our Ahmedabad facility; increasing regulatory focus on privacy and security issues; failures with respect to compliance programs; U.S. healthcare reform and other global austerity measures; pricing, reimbursement, taxation and rebate policies of government agencies and private payers; proposed regulatory changes of the U.S. Department of Health and Human Services in kidney health policy and reimbursement, which may substantially change the U.S. end stage renal disease market and demand for our peritoneal dialysis products, necessitating significant multi-year capital expenditures, which are difficult to estimate in advance; the ability to enforce owned or in-licensed patents or the prevention or restriction of the manufacture, sale or use of products or technology affected by patents of third parties; global, trade and tax policies; any change in laws concerning the taxation of income (including current or future tax reform), including income earned outside the United States and potential taxes associated with the Base Erosion and Anti-Abuse Tax; actions taken by tax authorities in connection with ongoing tax audits; the outcome of pending or future litigation, including the opioid litigation, and current or future ethylene oxide litigation; current or worsening economic conditions; fluctuations in foreign exchange and interest rates; and other risks identified in Baxter's most recent filings on Form 10-K and Form 10-Q and other SEC filings, all of which are available on Baxter's website. Baxter does not undertake to update its forward-looking statements unless otherwise required by the federal securities laws.

Use of Non-GAAP Financial Measures

To supplement Baxter's consolidated financial statements presented on a U.S. GAAP basis, the Company discloses certain non-GAAP financial measures. These non-GAAP financial measures are not in accordance with generally accepted accounting principles in the United States.

A reconciliation of the non-GAAP financial measures included in this document to the corresponding U.S. GAAP measures follows in the section titled Non-GAAP Reconciliations. In addition, an explanation of the ways in which Baxter management uses these supplemental non-GAAP measures to evaluate its business and the substantive reasons why Baxter management believes that these non-GAAP measures provide useful information to investors is included in the Company's most recent earnings release filed with the SEC on Form 8-K on October 28, 2021. This information should be considered in addition to, and not as substitutes for, information prepared in accordance with U.S. GAAP.

Baxter strongly encourages investors to review its consolidated financial statements and publicly filed reports in their entirety and cautions investors that the non-GAAP measures used by the Company may differ from similar measures used by other companies, even when similar terms are used to identify such measures.

Non-GAAP financial measures used in this presentation include constant currency and operational sales growth, adjusted gross margin, adjusted operating margin, adjusted diluted EPS, free cash flow, adjusted selling, general, and administrative (SG&A) expense, and adjusted research and development (R&D) expense. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com.

Top Quartile Goals



Patient safety and Quality



Best place to work



Growth through innovation



Industry leading performance

Our Strategy

Strengthen our portfolio and extend our impact through transformative innovation that spans prevention to recovery



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Performance Highlights

Third-Quarter 2021

\$3.2B
Sales

+9% Reported
+7% Constant Currency¹
+6% Operational²

| Key Metrics | GAAP | Adjusted ³ |
|------------------|---------|-----------------------|
| Gross Margin | 40.9% | 44.0% |
| YOY Change | +70 bps | +140 bps |
| Operating Margin | 15.9% | 20.2% |
| YOY Change | +10 bps | +100 bps |
| Diluted EPS | \$0.89 | \$1.02 |
| YOY Change | +29% | +23% |

Year-To-Date 2021

\$9.3B
Sales

+9% Reported
+6% Constant Currency¹
+5% Operational²

| Key Metrics | GAAP | Adjusted ³ |
|------------------|----------|-----------------------|
| Gross Margin | 39.9% | 42.9% |
| YOY Change | (10 bps) | +10 bps |
| Operating Margin | 14.3% | 18.2% |
| YOY Change | +10 bps | +10 bps |
| Diluted EPS | \$2.06 | \$2.58 |
| YOY Change | +14% | +13% |

¹Constant currency sales growth excludes the impact of foreign exchange. ²Operational sales growth excludes the impact of foreign exchange and the acquisition of rights to Caelyx/Doxil.

³Non-GAAP financial metrics referenced in this slide include constant currency sales growth and operational sales growth, adjusted gross margin, adjusted operating margin, and adjusted diluted EPS. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com.

Executing On Our Strategy

Recent Highlights

Demonstrating Ongoing Portfolio Resilience In Dynamic Environment¹

- Delivered operational sales growth of 6% and adjusted diluted EPS growth of 23% in Q3 2021, reflecting the steady impact of pandemic recovery and disciplined financial execution

Investing In Growth Opportunities And Executing On A Robust Pipeline Of Launches²

- Announced U.S. FDA approval and the commercial launch of premix Norepinephrine Bitartrate in 5% Dextrose Injection; the first and only manufacturer-prepared ready-to-use formulation
- Announced the CE marking of the NEPHROCLEAR™ CCL14 Test in partnership with bioMérieux, a global leader in in vitro diagnostics
- Presented data at the 34th Annual European Society of Intensive Care Medicine LIVES virtual congress that supports the need for personalized approaches to care for critically ill patients with acute kidney injury (AKI) or sepsis
- Acquired certain assets related to PerClot Polysaccharide Hemostatic System from CryoLife, Inc., marking entry into the hemostatic powder segment

Delivering Enhanced Value For Shareholders

- Announced entrance into a definitive agreement to acquire Hillrom, a global medical technology leader, on Sept. 2³
- Announced quarterly dividend of \$0.28 per share, reflecting strong financial position and commitment to returning value to investors

Creating A Best Place To Work And Demonstrating Leadership In Corporate Social Responsibility

- Baxter International Foundation and UNICEF USA announced a partnership to improve access to safe water in La Guajira, Colombia
- Recognized by Forbes 2021 lists of the World's Best Employers and America's Best Employers for Women; recognized on Seramount's 2021 lists of the 100 Best Companies and Best Companies for Dads; named a Leading Inclusion Index Organization on Seramount's 2021 Inclusion Index

Accelerating Strategy Through Proposed Acquisition Of Hillrom To Advance Innovation, Expand Digital Capabilities And Transform Healthcare

¹Non-GAAP financial metrics referenced in this slide include operational sales growth and adjusted diluted EPS growth. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com. ²See www.baxter.com for original press releases with additional product information. ³Baxter's acquisition of Hillrom remains subject to customary closing conditions, including Hillrom shareholder and regulatory approvals. The transaction is expected to close by early 2022.

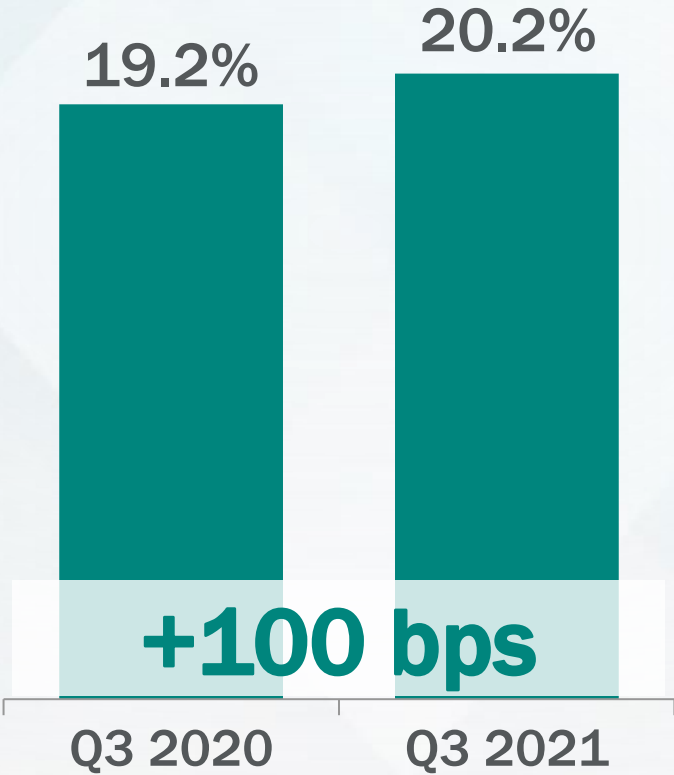
Key Financial Metrics

Third-Quarter 2021 Snapshot¹

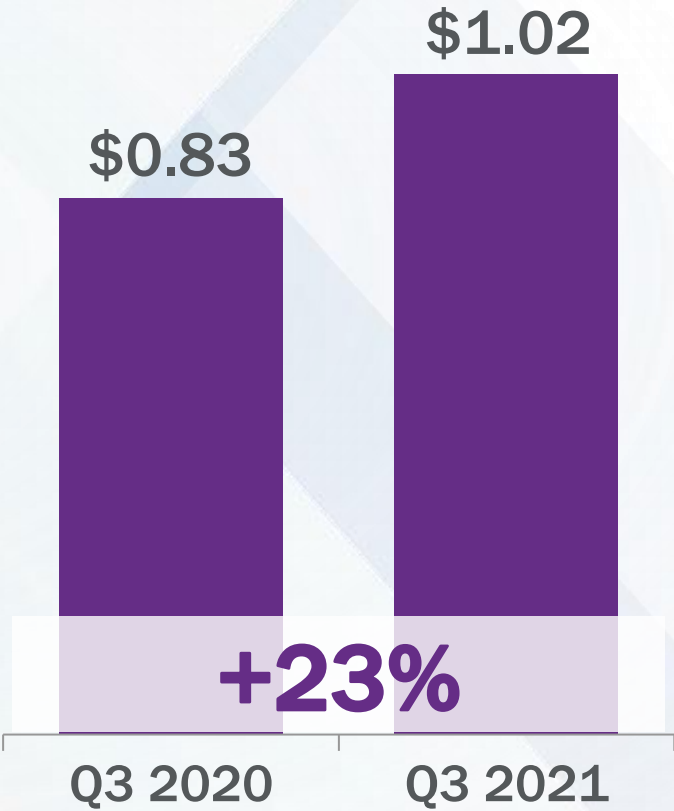
Global Reported Sales



Adjusted Operating Margin



Adjusted Diluted EPS



¹Non-GAAP financial metrics referenced in this slide include operational sales growth, adjusted operating margin, and adjusted diluted EPS. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com. ²Q3 2021 operational sales growth excludes the impact of foreign exchange of approximately 2% and the acquisition of rights to Caelyx/Doxil for specified territories outside the U.S. of approximately 1%; U.S. GAAP sales growth for the period was approximately 9% compared to Q3 2020.

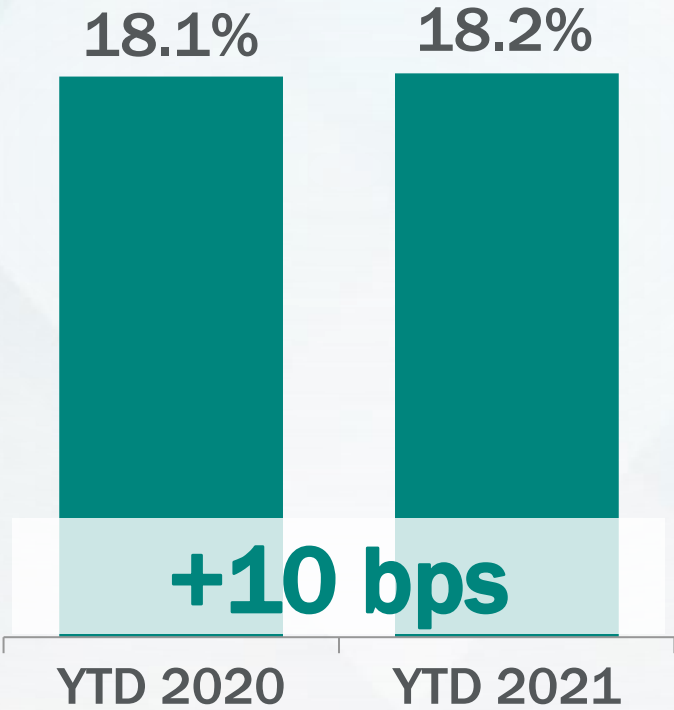
Key Financial Metrics

Year-To-Date 2021 Snapshot¹

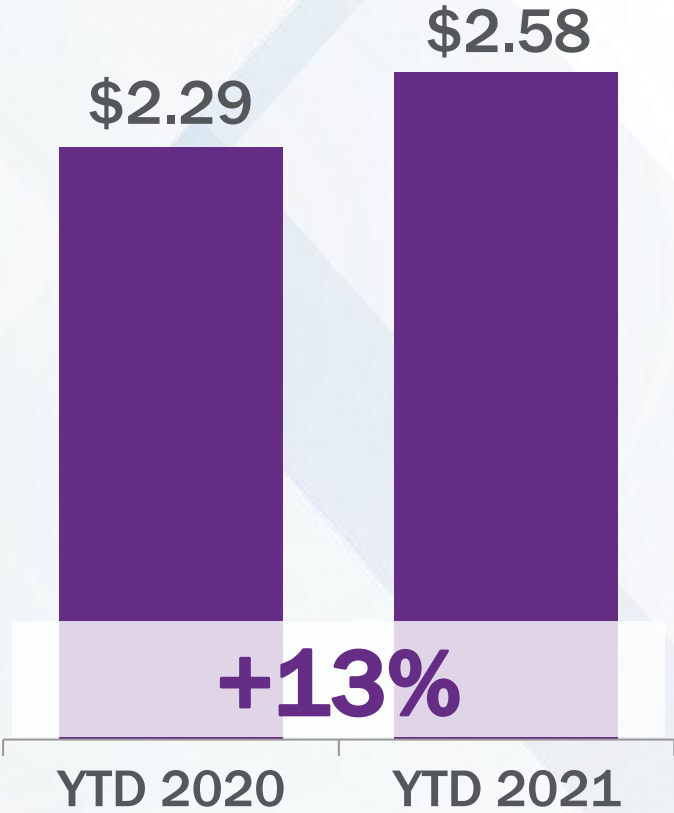
Global Reported Sales



Adjusted Operating Margin



Adjusted Diluted EPS



¹Non-GAAP financial metrics referenced in this slide include operational sales growth, adjusted operating margin, and adjusted diluted EPS. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com. ²YTD 2021 operational sales growth excludes the impact of foreign exchange of approximately 3% and the acquisition of rights to Caelyx/Doxil for specified territories outside the U.S. of approximately 1%; U.S. GAAP sales growth for the period was approximately 9% compared to YTD 2020.

Third-Quarter 2021 Performance¹

| Metric | Q3 2021 Guidance | Q3 2021 Actual |
|--|------------------------------|-------------------|
| Sales Growth <i>Reported</i> | ~9% | +9% |
| Sales Growth <i>Constant Currency</i> | ~7% | +7% |
| Sales Growth <i>Operational</i> | ~6% | +6% |
| Adjusted Diluted EPS <i>Growth vs. Prior-Year Period</i> | \$0.93 - \$0.95 12% - 14% | \$1.02 +23% |

**Positive Sales Mix And Disciplined Expense Management
Contributed To EPS Outperformance**

Strong Performance Driven By Pandemic Recovery

Third-Quarter 2021 Business Drivers¹

| Product Category | Sales | CC Growth ² | Quarterly Performance Drivers |
|----------------------------|--------|------------------------|---|
| Renal Care | \$981M | +1% | Performance driven by global growth in PD business reflecting year over year improvement in global patient volumes; partially offset by declining international sales in In-Center HD business and Renal Care Clinics |
| Medication Delivery | \$747M | +11% | Strong growth reflects continued recovery in the pace of hospital admissions as well as increased demand for large volume infusion pumps, IV solutions and small volume parenterals |
| Pharmaceuticals | \$589M | +7% | Strength in international pharmacy compounding, contribution from OUS sales of Caelyx/Doxil and demand for Dexmedetomidine and portfolio of premixes partially offset by declines in U.S. business related to lower surgical procedures and government order of ~\$20M in Q3 2020 |
| Clinical Nutrition | \$244M | +3% | Performance driven by the benefit of new product launches within broad multichamber product offering |
| Advanced Surgery | \$249M | +5% | Strong growth from international business; partially offset by performance in the US with surgical procedures declining sequentially and year over year due to the impact of the Delta variant and staffing shortages |
| Acute Therapies | \$185M | +3% | Elevated demand for CRRT particularly given the rise in COVID cases associated with the Delta variant along with increased therapy utilization |
| BioPharma Solutions | \$206M | +45% | Strong performance driven by multiple collaborations to help manufacture COVID-19 vaccines on a contract basis |

The background of the slide features a photograph of a person wearing a white protective suit, a blue face mask, and safety glasses. They are working in a laboratory or cleanroom environment, with a large, complex piece of scientific equipment, possibly a microscope or a specialized imaging system, visible on the right side. The person is looking down at the equipment. The overall color scheme is dominated by light blues and whites, with some darker blue accents from the equipment and the person's mask.

Financial Results

Third-Quarter 2021 Earnings
October 28, 2021

Third-Quarter 2021 Sales By Product Category¹

| | Q3 2021 Revenue | | | Total Growth | | |
|-----------------------|-----------------|----------------|----------------|--------------|------------|-------------|
| <i>\$ In Millions</i> | U.S. | International | Total | Reported | Constant | Operational |
| Renal Care | \$222 | \$759 | \$981 | +3% | +1% | +1% |
| Medication Delivery | \$490 | \$257 | \$747 | +12% | +11% | +11% |
| Pharmaceuticals | \$188 | \$401 | \$589 | +9% | +7% | +1% |
| Clinical Nutrition | \$88 | \$156 | \$244 | +4% | +3% | +3% |
| Advanced Surgery | \$135 | \$114 | \$249 | +6% | +5% | +5% |
| Acute Therapies | \$69 | \$116 | \$185 | +5% | +3% | +3% |
| BioPharma Solutions | \$109 | \$97 | \$206 | +46% | +45% | +45% |
| Other | \$18 | \$7 | \$25 | (4%) | (8%) | (8%) |
| Total Baxter | \$1,319 | \$1,907 | \$3,226 | +9% | +7% | +6% |

Year-To-Date 2021 Sales By Product Category¹

| | YTD 2021 Revenue | | | Total Growth | | |
|-----------------------|------------------|----------------|----------------|--------------|------------|-------------|
| <i>\$ In Millions</i> | U.S. | International | Total | Reported | Constant | Operational |
| Renal Care | \$655 | \$2,212 | \$2,867 | +4% | +1% | +1% |
| Medication Delivery | \$1,345 | \$751 | \$2,096 | +8% | +5% | +5% |
| Pharmaceuticals | \$550 | \$1,137 | \$1,687 | +10% | +4% | (0%) |
| Clinical Nutrition | \$255 | \$460 | \$715 | +7% | +3% | +3% |
| Advanced Surgery | \$405 | \$317 | \$722 | +15% | +13% | +13% |
| Acute Therapies | \$211 | \$369 | \$580 | +12% | +8% | +8% |
| BioPharma Solutions | \$218 | \$306 | \$524 | +41% | +36% | +36% |
| Other | \$58 | \$21 | \$79 | (1%) | (3%) | (3%) |
| Total Baxter | \$3,697 | \$5,573 | \$9,270 | +9% | +6% | +5% |

Third-Quarter 2021 Sales By Operating Segment¹

| | Q3 2021 Revenue | Total Growth | | |
|---|-----------------|--------------|------------|-------------|
| <i>\$ In Millions</i> | Reported | Reported | Constant | Operational |
| Americas (North and South America) | \$1,727 | +8% | +7% | +7% |
| EMEA (Europe, Middle East and Africa) | \$779 | +8% | +7% | +3% |
| APAC (Asia Pacific) | \$720 | +11% | +8% | +8% |
| Total Baxter | \$3,226 | +9% | +7% | +6% |

Year-To-Date 2021 Sales By Operating Segment¹

| | YTD 2021 Revenue | Total Growth | | |
|---|------------------|--------------|----------|-------------|
| <i>\$ In Millions</i> | Reported | Reported | Constant | Operational |
| Americas (North and South America) | \$4,911 | +6% | +5% | +5% |
| EMEA (Europe, Middle East and Africa) | \$2,300 | +11% | +5% | +2% |
| APAC (Asia Pacific) | \$2,059 | +16% | +9% | +8% |
| Total Baxter | \$9,270 | +9% | +6% | +5% |

Third-Quarter 2021 Adjusted Financial Results¹

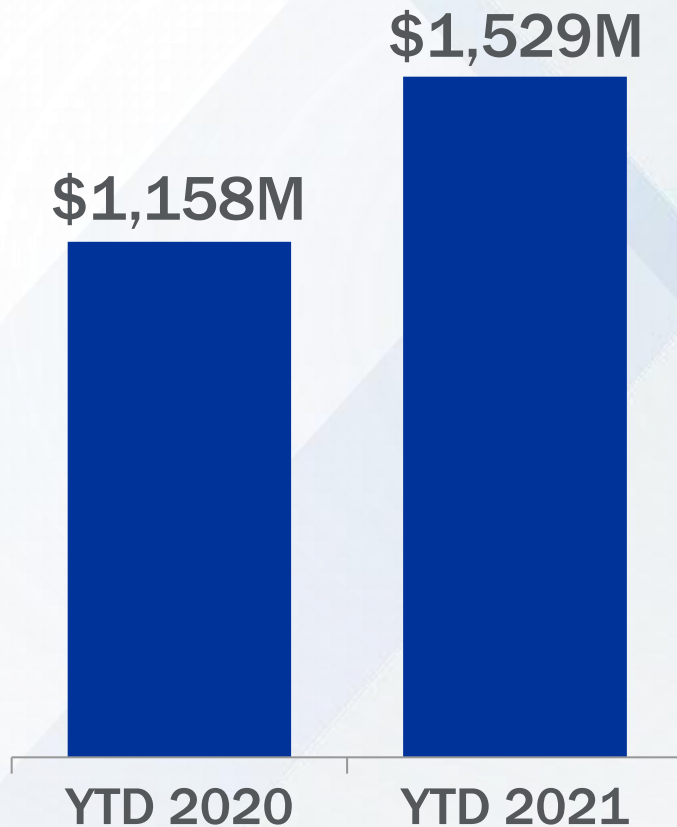
| | Q3 2020 | Q3 2021 | Change |
|---------------------------------------|---------|---------|----------|
| Adjusted Gross Margin | 42.6% | 44.0% | +140 bps |
| Adjusted SG&A Expense (% of Sales) | 19.3% | 19.8% | +50 bps |
| Adjusted R&D Expense (% of Sales) | 4.1% | 4.0% | (10 bps) |
| Adjusted Operating Margin | 19.2% | 20.2% | +100 bps |
| Adjusted Diluted EPS | \$0.83 | \$1.02 | +23% |

Year-To-Date 2021 Adjusted Financial Results¹

| | YTD 2020 | YTD 2021 | Change |
|---------------------------------------|----------|----------|---------|
| Adjusted Gross Margin | 42.8% | 42.9% | +10 bps |
| Adjusted SG&A Expense (% of Sales) | 20.5% | 20.5% | — |
| Adjusted R&D Expense (% of Sales) | 4.3% | 4.3% | — |
| Adjusted Operating Margin | 18.1% | 18.2% | +10 bps |
| Adjusted Diluted EPS | \$2.29 | \$2.58 | +13% |

Maintaining Focus On Cash Flow Generation¹

Operating Cash Flow²



Capital Expenditures



Free Cash Flow³



Executing Disciplined Capital Allocation Strategy



Strategic Business Development

Announced definitive agreement to acquire Hillrom, which will bring together two leading, global medical technology innovators to advance innovation, expand digital capabilities, and transform healthcare¹



Reinvestment In Business

Meeting the needs of patients and providers globally while continuing to invest in innovation and new product launches



Dividend Issuance

Announced a quarterly dividend of \$0.28 per share, a 14% increase over the prior year annualized rate; committed to ongoing dividend payments



Share Repurchase Program

Available repurchase authorization was ~\$1.3 billion of common stock as of September 30, 2021; expect to moderate repurchases in the near-term to focus on de-levering

Investing To Create Value For Shareholders Over The Long-Term



2021 Outlook

Third-Quarter 2021 Earnings

October 28, 2021

Full-Year 2021 Guidance^{1,2}

| | FY 2021 <i>Prior Guidance</i> | FY 2021 <i>Current Guidance</i> |
|--|----------------------------------|------------------------------------|
| Sales Growth <i>Reported</i> | ~8% | 7% - 8% |
| Foreign Exchange | ↓ (~250 bps) | ↓ (~200 bps) |
| Sales Growth <i>Constant Currency</i> | 5% - 6% | 5% - 6% |
| OUS Caelyx and Doxil | ↓ (~100 bps) | ↓ (~100 bps) |
| Sales Growth <i>Operational</i> | 4% - 5% | 4% - 5% |
| GAAP Diluted EPS <i>Growth vs. Prior-Year Period</i> | \$2.82 - \$2.88 32% - 35% | \$2.82 - \$2.86 32% - 34% |
| Adjusted Diluted EPS <i>Growth vs. Prior-Year Period</i> | \$3.49 - \$3.55 13% - 15% | \$3.58 - \$3.62 16% - 17% |

Fourth-Quarter 2021 Guidance^{1,2}

| | Q4 2021 Guidance |
|--|---------------------------------------|
| Sales Growth <i>Reported</i> | 3% - 4% |
| Foreign Exchange | ↑ ~100 bps |
| Sales Growth <i>Constant Currency</i> | 4% - 5% |
| OUS Caelyx and Doxil | ↓ (~100 bps) |
| Sales Growth <i>Operational</i> | 3% - 4% |
| GAAP Diluted EPS <i>Growth vs. Prior-Year Period</i> | \$0.75 - \$0.79 127% - 139% |
| Adjusted Diluted EPS <i>Growth vs. Prior-Year Period</i> | \$1.00 - \$1.04 25% - 30% |



Non-GAAP Reconciliations

Third-Quarter 2021 Earnings
October 28, 2021

Non-GAAP Reconciliation as of October 28, 2021

Non-GAAP Reconciliations:

As part of its Q3 2021 earnings announcement on October 28, 2021, Baxter presented its financial results for the third quarter of 2021 and the related year-to-date period. Baxter also presented guidance for the fourth quarter and full year of 2021. In these presentations, Baxter used non-GAAP financial measures of sales growth (on a constant currency and operational basis), adjusted gross margin, adjusted selling, general and administrative expense, adjusted research and development expense, adjusted operating income, adjusted operating margin, adjusted diluted earnings per share, and free cash flow. The reconciliations set forth below reconcile the non-GAAP measures set forth in this presentation for historical periods to the most directly comparable U.S. GAAP measures.

Description of Adjustments and Reconciliation of U.S. GAAP to Non-GAAP Measures

Three Months Ended September 30, 2021 and 2020

(unaudited)

(in millions, except per share and percentage data)

The company's U.S. GAAP results for the three months ended September 30, 2021 included special items which impacted the U.S. GAAP measures as follows:

| | Gross Margin | Selling, General and Administrative Expenses | Research and Development Expenses | Other Operating Expense (Income), Net | Operating Income | Interest Expense, net | Income Before Income Taxes | Income Tax (Benefit) Expense | Net Income | Net Income Attributable to Baxter Stockholders | Diluted Earnings Per Share |
|--|-----------------|--|-----------------------------------|---------------------------------------|------------------|-----------------------|----------------------------|------------------------------|---------------|--|----------------------------|
| Reported | \$ 1,321 | \$ 680 | \$ 129 | \$ (1) | \$ 513 | \$ 50 | \$ 451 | \$ (1) | \$ 452 | \$ 450 | \$ 0.89 |
| Reported percent of net sales (or percent of income before income taxes for income tax benefit) | 40.9 % | 21.1 % | 4.0 % | 0.0 % | 15.9 % | 1.5 % | 14.0 % | (0.2) % | 14.0 % | 13.9 % | |
| Intangible asset amortization ¹ | 68 | — | — | — | 68 | — | 68 | 15 | 53 | 53 | 0.10 |
| Business optimization items ² | 20 | (16) | — | — | 36 | — | 36 | 8 | 28 | 28 | 0.06 |
| Acquisition and integration expenses ³ | 1 | (21) | — | 1 | 21 | (18) | 39 | 8 | 31 | 31 | 0.06 |
| European medical devices regulation ⁴ | 11 | — | — | — | 11 | — | 11 | 2 | 9 | 9 | 0.02 |
| Investigation and related costs ⁵ | — | (3) | — | — | 3 | — | 3 | — | 3 | 3 | 0.01 |
| Tax matter ⁶ | — | — | — | — | — | — | — | 58 | (58) | (58) | (0.11) |
| Adjusted | \$ 1,421 | \$ 640 | \$ 129 | \$ — | \$ 652 | \$ 32 | \$ 608 | \$ 90 | \$ 518 | \$ 516 | \$ 1.02 |
| Adjusted percent of net sales (or adjusted percent of income before income taxes for income tax expense) | 44.0 % | 19.8 % | 4.0 % | 0.0 % | 20.2 % | 1.0 % | 18.8 % | 14.8 % | 16.1 % | 16.0 % | |

The company's U.S. GAAP results for the three months ended September 30, 2020 included special items which impacted the U.S. GAAP measures as follows:

| | Gross Margin | Selling, General and Administrative Expenses | Research and Development Expenses | Other Operating Expense (Income), Net | Operating Income | Income Before Income Taxes | Income Tax (Benefit) Expense | Net Income | Net Income Attributable to Baxter Stockholders | Diluted Earnings Per Share |
|--|-----------------|--|-----------------------------------|---------------------------------------|------------------|----------------------------|------------------------------|---------------|--|----------------------------|
| Reported | \$ 1,195 | \$ 601 | \$ 123 | \$ 1 | \$ 470 | \$ 415 | \$ 56 | \$ 359 | \$ 356 | \$ 0.69 |
| Reported percent of net sales (or percent of income before income taxes for income tax expense) | 40.2 % | 20.2 % | 4.1 % | 0.0 % | 15.8 % | 14.0 % | 13.5 % | 12.1 % | 12.0 % | |
| Intangible asset amortization ¹ | 57 | — | — | — | 57 | 57 | 15 | 42 | 42 | 0.08 |
| Business optimization items ² | 6 | (25) | (1) | — | 32 | 32 | 8 | 24 | 24 | 0.05 |
| Acquisition and integration expenses ³ | — | — | — | (1) | 1 | 1 | — | 1 | 1 | 0.00 |
| European medical devices regulation ⁴ | 8 | — | — | — | 8 | 8 | 2 | 6 | 6 | 0.01 |
| Investigation and related costs ⁵ | — | (2) | — | — | 2 | 2 | — | 2 | 2 | 0.00 |
| Adjusted | \$ 1,266 | \$ 574 | \$ 122 | \$ — | \$ 570 | \$ 515 | \$ 81 | \$ 434 | \$ 431 | \$ 0.83 |
| Adjusted percent of net sales (or adjusted percent of income before income taxes for income tax expense) | 42.6 % | 19.3 % | 4.1 % | 0.0 % | 19.2 % | 17.3 % | 15.7 % | 14.6 % | 14.5 % | |

Description of Adjustments and Reconciliation of U.S. GAAP to Non-GAAP Measures

Three Months Ended September 30, 2021 and 2020

(unaudited)

- ¹ The company's results in 2021 and 2020 included intangible asset amortization expense of \$68 million (\$53 million, or \$0.10 per diluted share, on an after-tax basis) and \$57 million (\$42 million, or \$0.08 per diluted share, on an after-tax basis), respectively
- ² The company's results in 2021 and 2020 included charges of \$36 million (\$28 million, or \$0.06 per diluted share, on an after-tax basis) and \$32 million (\$24 million, or \$0.05 per diluted share, on an after-tax basis), respectively, associated with its programs to optimize its organization and cost structure on a global basis.
- ³ The company's results in 2021 included \$39 million (\$31 million, or \$0.06 per diluted share, on an after-tax basis) of acquisition, integration and related financing expenses for the proposed acquisition of Hill-Rom Holdings, Inc. (Hillrom) and the acquisition of the rights to **Caelyx** and **Doxil** for specified territories outside of the U.S. that was partially offset by the change in the estimated fair value of contingent consideration liabilities. The company's results in 2020 included \$1 million (\$1 million, or \$0.00 per diluted share, on an after-tax basis) of acquisition and integration expenses related to the change in estimated fair value of contingent consideration liabilities.
- ⁴ The company's results in 2021 and 2020 included costs of \$11 million (\$9 million, or \$0.02 per diluted share, on an after-tax basis) and \$8 million (\$6 million, or \$0.01 per diluted share, on an after-tax basis) related to updating its quality systems and product labeling to comply with the new medical device reporting regulation and other requirements of the European Union's regulations for medical devices that become effective in stages beginning in 2021.
- ⁵ The company's results in 2021 and 2020 included costs of \$3 million (\$3 million, or \$0.01 per diluted share, on an after-tax basis) and \$2 million (\$2 million, or \$0.00 per diluted share, on an after-tax basis) for investigation and related costs. In 2021, this item primarily included charges related to matters associated with the company's investigation of foreign exchange gains and losses. In 2020, this item primarily included professional fees related to those matters
- ⁶ The company's results in 2021 included an income tax benefit of \$58 million, or \$0.11 per diluted share, related to a tax-deductible foreign statutory loss on an investment in a foreign subsidiary.

For more information on the company's use of non-GAAP financial measures in this presentation, please see the company's Current Report on Form 8-K filed with the Securities and Exchange Commission on the date of this presentation.

Description of Adjustments and Reconciliation of U.S. GAAP to Non-GAAP Measures

Nine Months Ended September 30, 2021 and 2020

(unaudited)

(in millions, except per share and percentage data)

The company's U.S. GAAP results for the nine months ended September 30, 2021 included special items which impacted the U.S. GAAP measures as follows:

| | Gross Margin | Selling, General and Administrative Expenses | Research and Development Expenses | Other Operating Expense (Income), Net | Operating Income | Interest Expense, net | Income Before Income Taxes | Income Tax Expense | Net Income | Net Income Attributable to Baxter Stockholders | Diluted Earnings Per Share |
|--|-----------------|--|-----------------------------------|---------------------------------------|------------------|-----------------------|----------------------------|--------------------|-----------------|--|----------------------------|
| Reported | \$ 3,699 | \$ 1,982 | \$ 396 | \$ (6) | \$ 1,327 | \$ 118 | \$ 1,194 | \$ 141 | \$ 1,053 | \$ 1,046 | \$ 2.06 |
| Reported percent of net sales (or percent of income before income taxes for income tax expense) | 39.9 % | 21.4 % | 4.3 % | (0.1) % | 14.3 % | 1.3 % | 12.9 % | 11.8 % | 11.4 % | 11.3 % | |
| Intangible asset amortization ¹ | 199 | — | — | — | 199 | — | 199 | 41 | 158 | 158 | 0.31 |
| Business optimization items ² | 51 | (30) | — | — | 81 | — | 81 | 18 | 63 | 63 | 0.12 |
| Acquisition and integration expenses ³ | 1 | (23) | — | 6 | 18 | (18) | 36 | 7 | 29 | 29 | 0.06 |
| European medical devices regulation ⁴ | 30 | — | — | — | 30 | — | 30 | 7 | 23 | 23 | 0.05 |
| Investigation and related costs ⁵ | — | (31) | — | — | 31 | — | 31 | 3 | 28 | 28 | 0.06 |
| Tax matters ⁷ | — | — | — | — | — | — | — | 36 | (36) | (36) | (0.07) |
| Adjusted | \$ 3,980 | \$ 1,898 | \$ 396 | \$ — | \$ 1,686 | \$ 100 | \$ 1,571 | \$ 253 | \$ 1,318 | \$ 1,311 | \$ 2.58 |
| Adjusted percent of net sales (or adjusted percent of income before income taxes for income tax expense) | 42.9 % | 20.5 % | 4.3 % | 0.0 % | 18.2 % | 1.1 % | 16.9 % | 16.1 % | 14.2 % | 14.1 % | |

The company's U.S. GAAP results for the nine months ended September 30, 2020 included special items which impacted the U.S. GAAP measures as follows:

| | Gross Margin | Selling, General and Administrative Expenses | Research and Development Expenses | Other Operating Expense (Income), Net | Operating Income | Income Before Income Taxes | Income Tax Expense | Net Income | Net Income Attributable to Baxter Stockholders | Diluted Earnings Per Share |
|--|-----------------|--|-----------------------------------|---------------------------------------|------------------|----------------------------|--------------------|-----------------|--|----------------------------|
| Reported | \$ 3,396 | \$ 1,819 | \$ 386 | \$ (19) | \$ 1,210 | \$ 1,082 | \$ 143 | \$ 939 | \$ 934 | \$ 1.81 |
| Reported percent of net sales (or percent of income before income taxes for income tax expense) | 40.0 % | 21.4 % | 4.5 % | (0.2) % | 14.2 % | 12.7 % | 13.2 % | 11.1 % | 11.0 % | |
| Intangible asset amortization ¹ | 165 | — | — | — | 165 | 165 | 38 | 127 | 127 | 0.25 |
| Business optimization items ² | 24 | (53) | — | 17 | 60 | 60 | 13 | 47 | 47 | 0.09 |
| Acquisition and integration expenses ³ | 11 | (7) | (22) | 2 | 38 | 38 | 8 | 30 | 30 | 0.06 |
| European medical devices regulation ⁴ | 22 | — | — | — | 22 | 22 | 6 | 16 | 16 | 0.03 |
| Investigation and related costs ⁵ | 3 | (18) | (1) | — | 22 | 22 | 4 | 18 | 18 | 0.03 |
| Intangible asset impairment ⁶ | 17 | — | — | — | 17 | 17 | 4 | 13 | 13 | 0.03 |
| Adjusted | \$ 3,638 | \$ 1,741 | \$ 363 | \$ — | \$ 1,534 | \$ 1,406 | \$ 216 | \$ 1,190 | \$ 1,185 | \$ 2.29 |
| Adjusted percent of net sales (or adjusted percent of income before income taxes for income tax expense) | 42.8 % | 20.5 % | 4.3 % | 0.0 % | 18.1 % | 16.6 % | 15.4 % | 14.0 % | 14.0 % | |

Description of Adjustments and Reconciliation of U.S. GAAP to Non-GAAP Measures

Nine Months Ended September 30, 2021 and 2020

(unaudited)

- ¹ The company's results in 2021 and 2020 included intangible asset amortization expense of \$199 million (\$158 million, or \$0.31 per diluted share, on an after-tax basis) and \$165 million (\$127 million, or \$0.25 per diluted share, on an after-tax basis), respectively.
- ² The company's results in 2021 and 2020 included charges of \$81 million (\$63 million, or \$0.12 per diluted share, on an after-tax basis) and \$77 million (\$64 million, or \$0.12 per diluted share, on an after-tax basis), respectively, associated with its programs to optimize its organization and cost structure on a global basis. Additionally, we recorded a gain of \$17 million (\$17 million, or \$0.03 per diluted share, on an after-tax basis) in 2020 for property we sold in conjunction with our business optimization initiatives.
- ³ The company's results in 2021 included \$36 million (\$29 million, or \$0.06 per diluted share, on an after-tax basis) of acquisition, integration and related financing expenses for the proposed acquisition of Hillrom and the acquisition of the rights to **Caelyx** and **Doxil** for specified territories outside of the U.S. that was partially offset by the change in the estimated fair value of contingent consideration liabilities. The company's results in 2020 included \$38 million (\$30 million, or \$0.06 per diluted share, on an after-tax basis) of acquisition and integration expenses related to the company's acquisitions of **Cheetah Medical** and **Seprafilm** and the purchase of in-process R&D assets, partially offset by the change in the estimated fair value of contingent consideration liabilities.
- ⁴ The company's results in 2021 and 2020 included costs of \$30 million (\$23 million, or \$0.05 per diluted share, on an after-tax basis) and \$22 million (\$16 million, or \$0.03 per diluted share, on an after-tax basis) related to updating its quality systems and product labeling to comply with the new medical device reporting regulation and other requirements of the European Union's regulations for medical devices that become effective in stages beginning in 2021.
- ⁵ The company's results in 2021 and 2020 included costs of \$31 million (\$28 million, or \$0.06 per diluted share, on an after-tax basis) and \$22 million (\$18 million, or \$0.03 per diluted share, on an after-tax basis) for investigation and related costs. In 2021, this item primarily included charges related to matters associated with the company's investigation of foreign exchange gains and losses. In 2020, this item primarily included professional fees related to those matters, as well as incremental stock compensation expense as the company extended the terms of certain stock options that were scheduled to expire in the first quarter of 2020.
- ⁶ The company's results in 2020 included a charge of \$17 million (\$13 million, or \$0.03 per diluted share, on an after-tax basis) for an asset impairment related to a developed-technology intangible asset.
- ⁷ The company's results in 2021 included a net income tax benefit of \$36 million, or \$0.07 per diluted share, related to a tax-deductible foreign statutory loss on an investment in a foreign subsidiary that was partially offset by an unfavorable court ruling for an uncertain tax position.

For more information on the company's use of non-GAAP financial measures in this presentation, please see the company's Current Report on Form 8-K filed with the Securities and Exchange Commission on the date of this presentation.

Reconciliation of Non-GAAP Financial Measure

Operating Cash Flow to Free Cash Flow

(unaudited)
(in millions)

| | Nine Months Ended September 30, | |
|--|---------------------------------|---------------|
| | 2021 | 2020 |
| Cash flows from operations – continuing operations | \$ 1,529 | \$ 1,158 |
| Cash flows from investing activities | (933) | (915) |
| Cash flows from financing activities | (1,031) | 798 |
| Cash flows from operations - continuing operations | \$ 1,529 | \$ 1,158 |
| Capital expenditures | (508) | (472) |
| Free cash flow - continuing operations | \$ 1,021 | \$ 686 |

Free cash flow is a non-GAAP measure. For more information on the company's use of non-GAAP financial measures in this presentation, please see the company's Current Report on Form 8-K filed with the Securities Exchange Commission on the date of this presentation.

Reconciliation of Non-GAAP Financial Measure

Change in Net Sales Growth As Reported to Operational Sales Growth

From The Three Months Ended September 30, 2020 to The Three Months Ended September 30, 2021

(unaudited)

Sales By Product Category:

| | Net Sales Growth As Reported | Caelyx and Doxil | FX | Operational Sales Growth* |
|---------------------|---------------------------------|------------------|-------------|------------------------------|
| Renal Care | 3% | 0% | (2)% | 1% |
| Medication Delivery | 12% | 0% | (1)% | 11% |
| Pharmaceuticals | 9% | (6)% | (2)% | 1% |
| Clinical Nutrition | 4% | 0% | (1)% | 3% |
| Advanced Surgery | 6% | 0% | (1)% | 5% |
| Acute Therapies | 5% | 0% | (2)% | 3% |
| BioPharma Solutions | 46% | 0% | (1)% | 45% |
| Other | (4)% | 0% | (4)% | (8)% |
| Total Baxter | 9% | (1)% | (2)% | 6% |
| U.S. | 6% | 0% | 0% | 6% |
| International | 10% | (2)% | (2)% | 6% |

*Totals may not add across due to rounding

Sales By Operating Segment:

| | Net Sales Growth As Reported | Caelyx and Doxil | FX | Operational Sales Growth* |
|---------------------|---------------------------------|------------------|-------------|------------------------------|
| Americas | 8% | 0% | (1)% | 7% |
| EMEA | 8% | (4)% | (1)% | 3% |
| APAC | 11% | (1)% | (3)% | 8% |
| Total Baxter | 9% | (1)% | (2)% | 6% |

*Totals may not add across due to rounding

Change in operational sales growth is a non-GAAP measure. For more information on the company's use of non-GAAP financial measures in this presentation, please see the company's Current Report on Form 8-K filed with the Securities Exchange Commission on the date of this presentation.

Reconciliation of Non-GAAP Financial Measure

Change in Net Sales Growth As Reported to Operational Sales Growth

From The Nine Months Ended September 30, 2020 to The Nine Months Ended September 30, 2021

(unaudited)

Sales By Product Category:

| | Net Sales Growth As Reported | Caelyx and Doxil | FX | Operational Sales Growth* |
|---------------------|---------------------------------|------------------|-------------|------------------------------|
| Renal Care | 4% | 0% | (3)% | 1% |
| Medication Delivery | 8% | 0% | (3)% | 5% |
| Pharmaceuticals | 10% | (5)% | (6)% | (0)% |
| Clinical Nutrition | 7% | 0% | (4)% | 3% |
| Advanced Surgery | 15% | 0% | (2)% | 13% |
| Acute Therapies | 12% | 0% | (4)% | 8% |
| BioPharma Solutions | 41% | 0% | (5)% | 36% |
| Other | (1)% | 0% | (2)% | (3)% |
| Total Baxter | 9% | (1)% | (3)% | 5% |
| U.S. | 3% | 0% | 0% | 3% |
| International | 14% | (1)% | (6)% | 6% |

*Totals may not add across due to rounding

Sales By Operating Segment:

| | Net Sales Growth As Reported | Caelyx and Doxil | FX | Operational Sales Growth* |
|---------------------|---------------------------------|------------------|-------------|------------------------------|
| Americas | 6% | 0% | (1)% | 5% |
| EMEA | 11% | (3)% | (6)% | 2% |
| APAC | 16% | (1)% | (7)% | 8% |
| Total Baxter | 9% | (1)% | (3)% | 5% |

*Totals may not add across due to rounding

Change in operational sales growth is a non-GAAP measure. For more information on the company's use of non-GAAP financial measures in this presentation, please see the company's Current Report on Form 8-K filed with the Securities Exchange Commission on the date of this presentation.

Reconciliation of Non-GAAP Financial Measure

Projected Full Year 2021 U.S. GAAP Sales Growth to Projected Operational Sales Growth, and Projected Full Year 2021 U.S. GAAP Operating Margin to Projected Adjusted Operating Margin

(unaudited)

| Sales Growth Guidance | Q4 2021* | FY 2021* |
|-----------------------------------|----------------|----------------|
| Sales Growth - U.S. GAAP | 3% - 4% | 7% - 8% |
| OUS Caelyx and Doxil | (1)% | (1)% |
| Foreign exchange | 1% | (2)% |
| Sales Growth - Operational | 3% - 4% | 4% - 5% |

*Totals may not foot due to rounding

| Operating Margin Guidance | FY 2021* |
|--|----------------|
| Operating Margin - U.S. GAAP | 14.4% + |
| Estimated intangible asset amortization | 2.1% |
| Estimated business optimization charges | 0.7% |
| Estimated acquisition and integration expenses | 0.8% |
| Estimated investigation and related costs | 0.2% |
| Estimated European medical devices regulation | 0.4% |
| Operating Margin - Adjusted | 18.6% + |

*Totals may not foot due to rounding

Reconciliation of Non-GAAP Financial Measure

Projected Full Year 2021 U.S. GAAP Tax Rate to Projected Adjusted Tax Rate, and Projected Full Year 2021 U.S. GAAP Earnings Per Share to Projected Adjusted Earnings Per Share *(unaudited)*

The projected FY 2021 U.S. GAAP tax rate of approximately 13.0% to 13.5% has been adjusted for the impact of tax matters and to reflect the tax impact of projected special items, consisting of intangible asset amortization, business optimization charges, acquisition and integration expenses, investigation and related costs and the European medical devices regulation expenses, to arrive at a projected adjusted tax rate of approximately 16.5% to 17.0%.

| Earnings Per Share Guidance | Q4 2021* | FY 2021* |
|--|------------------------|------------------------|
| Earnings per Diluted Share - U.S. GAAP | \$0.75 - \$0.79 | \$2.82 - \$2.86 |
| Estimated intangible asset amortization | \$0.11 | \$0.42 |
| Estimated business optimization charges | \$0.02 | \$0.14 |
| Estimated acquisition and integration expenses | \$0.10 | \$0.15 |
| Estimated investigation and related costs | \$0.00 | \$0.05 |
| Estimated European medical devices regulation | \$0.02 | \$0.07 |
| Tax matters | \$0.00 | \$(0.07) |
| Earnings per Diluted Share - Adjusted | \$1.00 - \$1.04 | \$3.58 - \$3.62 |

*Totals may not foot due to rounding.

The company's outlook for U.S. GAAP operating margin, income tax rate and earnings per share only includes the impact of special items that are known or expected as of the date of this presentation. Accordingly, actual U.S. GAAP operating margin, income tax rate and earnings per share for the fourth quarter and full year of 2021 may differ significantly from those amounts. For example, the company's outlook does not reflect the potential impact of future business or asset acquisitions or dispositions, intangible asset impairments, restructuring actions, developments related to gain or loss contingencies, debt extinguishment gains or losses, or unusual or infrequently occurring items that may occur during the remainder of 2021.



Baxter

Third-Quarter 2021 Earnings

Baxter International Inc.

October 28, 2021