

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
(unaudited)
(in millions, except per share and percentage data)

	Three Months Ended March 31,		
	2022	2021	Change
NET SALES	\$ 3,707	\$ 2,946	26 %
COST OF SALES	2,359	1,801	31 %
GROSS MARGIN	1,348	1,145	18 %
<i>% of Net Sales</i>	36.4 %	38.9 %	(2.5 pts)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,052	627	68 %
<i>% of Net Sales</i>	28.4 %	21.3 %	7.1 pts
RESEARCH AND DEVELOPMENT EXPENSES	150	128	17 %
<i>% of Net Sales</i>	4.0 %	4.3 %	(0.3 pts)
OTHER OPERATING INCOME, NET	(17)	—	NM
OPERATING INCOME	163	390	(58)%
<i>% of Net Sales</i>	4.4 %	13.2 %	(8.8 pts)
INTEREST EXPENSE, NET	85	34	150 %
OTHER (INCOME) EXPENSE, NET	(16)	5	(420)%
INCOME BEFORE INCOME TAXES	94	351	(73)%
INCOME TAX EXPENSE	21	51	(59)%
<i>% of Income Before Income Taxes</i>	22.3 %	14.5 %	7.8 pts
NET INCOME	73	300	(76)%
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	2	2	0 %
NET INCOME ATTRIBUTABLE TO BAXTER STOCKHOLDERS	\$ 71	\$ 298	(76)%
EARNINGS PER SHARE			
Basic	\$ 0.14	\$ 0.59	(76)%
Diluted	\$ 0.14	\$ 0.58	(76)%
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING			
Basic	503	505	
Diluted	509	511	
ADJUSTED OPERATING INCOME (excluding special items)¹	\$ 666	\$ 501	33 %
ADJUSTED INCOME BEFORE INCOME TAXES (excluding special items)¹	\$ 597	\$ 462	29 %
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER STOCKHOLDERS (excluding special items)¹	\$ 471	\$ 386	22 %
ADJUSTED DILUTED EPS (excluding special items)¹	\$ 0.93	\$ 0.76	22 %

¹ Refer to page 9 for a description of the adjustments and a reconciliation to U.S. GAAP measures.

NM - Not Meaningful

BAXTER INTERNATIONAL INC.
Description of Adjustments and Reconciliation of U.S. GAAP to Non-GAAP Measures
(unaudited, in millions)

The company's U.S. GAAP results for the three months ended March 31, 2022 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 Income, Net	Operating Income	Income Before Income Taxes	Income Tax Expense	Net Income	Net Income Attributable to Baxter Stockholders	Diluted Earnings Per Share
Reported	\$1,348	\$ 1,052	\$ 150	\$ (17)	\$ 163	\$ 94	\$ 21	\$ 73	\$ 71	\$ 0.14
Reported percent of net sales (or percent of income before income taxes for income tax expense)	36.4 %	28.4 %	4.0 %	(0.5)%	4.4 %	2.5 %	22.3 %	2.0 %	1.9 %	
Intangible asset amortization ¹	122	(95)	—	—	217	217	48	169	169	0.33
Business optimization items ²	2	(78)	(1)	—	81	81	20	61	61	0.12
Acquisition and integration expenses ³	164	(24)	—	17	171	171	30	141	141	0.28
European medical devices regulation ⁴	11	—	—	—	11	11	2	9	9	0.02
Product-related items ⁵	23	—	—	—	23	23	3	20	20	0.04
Adjusted	\$1,670	\$ 855	\$ 149	\$ —	\$ 666	\$ 597	\$ 124	\$ 473	\$ 471	\$ 0.93
Adjusted percent of net sales (or adjusted percent of income before income taxes for income tax expense)	45.0 %	23.1 %	4.0 %	0.0 %	18.0 %	16.1 %	20.8 %	12.8 %	12.7 %	

The company's U.S. GAAP results for the three months ended March 31, 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 Income, Net	Operating Income	Income Before Income Taxes	Income Tax Expense	Net Income	Net Income Attributable to Baxter Stockholders	Diluted Earnings Per Share
Reported	\$1,145	\$ 627	\$ 128	\$ —	\$ 390	\$ 351	\$ 51	\$ 300	\$ 298	\$ 0.58
Reported percent of net sales (or percent of income before income taxes for income tax expense)	38.9 %	21.3 %	4.3 %	0.0 %	13.2 %	11.9 %	14.5 %	10.2 %	10.1 %	
Intangible asset amortization ¹	64	—	—	—	64	64	12	52	52	0.10
Business optimization items ²	21	(6)	—	—	27	27	7	20	20	0.04
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 ⁶	—	(11)	—	—	11	11	2	9	9	0.02
Adjusted	\$1,238	\$ 609	\$ 128	\$ —	\$ 501	\$ 462	\$ 74	\$ 388	\$ 386	\$ 0.76
Adjusted percent of net sales (or adjusted percent of income before income taxes for income tax expense)	42.0 %	20.7 %	4.3 %	0.0 %	17.0 %	15.7 %	16.0 %	13.2 %	13.1 %	

¹ The company's results in 2022 and 2021 included intangible asset amortization expense of \$217 million (\$169 million, or \$0.33 per diluted share, on an after-tax basis) and \$64 million (\$52 million, or \$0.10 per diluted share, on an after-tax basis), respectively.

² The company's results in 2022 and 2021 included charges of \$81 million (\$61 million, or \$0.12 per diluted share, on an after-tax basis) and \$27 million (\$20 million, or \$0.04 per diluted share, on an after-tax basis), respectively, associated with its programs to optimize its organization and cost structure on a global basis. In 2022, restructuring charges include actions taken in connection with our integration of Hill-Rom Holdings, Inc. (Hillrom), which we acquired in December 2021.

³ The company's results in 2022 included \$171 million (\$141 million, or \$0.28 per diluted share, on an after-tax basis) of acquisition and integration-related expenses. That amount includes costs related to our acquisition of Hillrom, primarily reflecting incremental costs of sales from the fair value step-ups on acquired Hillrom inventory that was sold in the current period. The acquisition and integration-related expenses related to Hillrom were partially offset by a benefit from a change in the estimated fair value of contingent consideration liabilities assumed in the Hillrom acquisition. The company's results in 2021 included \$1 million (\$1 million, or \$0.00 per diluted share, on an after-tax basis) of integration expenses related to the acquisition of the rights to **Caelyx** and **Doxil** for specified territories outside of the U.S.

⁴ The company's results in 2022 and 2021 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 became effective in stages beginning in 2021.

⁵ The company's results in 2022 included charges of \$23 million (\$20 million, or \$0.04 per diluted share, on an after-tax basis) related to warranty and remediation activities from two field corrective actions on certain of our infusion pumps.

⁶ The company's results in 2021 included costs of \$11 million (\$9 million, or \$0.02 per diluted share, on an after-tax basis) for investigation and related costs from matters associated with the company's investigation of foreign exchange gains and losses.

For more information on the company's use of non-GAAP financial measures, please see the Non-GAAP Financial Measures section of this press release.

BAXTER INTERNATIONAL INC.
Sales by Operating Segment
(unaudited)
(\$ in millions)

	<u>Three Months Ended March 31,</u>		% Growth @ Actual Rates	% Growth @ Constant Rates
	2022	2021		
Americas	\$ 1,626	\$ 1,560	4 %	5 %
EMEA	699	738	(5) %	2 %
APAC	627	648	(3) %	0 %
Hillrom	755	—	N/A	N/A
Total Baxter	\$ 3,707	\$ 2,946	26 %	29 %

Constant currency growth is a non-GAAP measure. For more information on the company's use of non-GAAP financial measures, please see the Non-GAAP Financial Measures section of this press release.

BAXTER INTERNATIONAL INC.
Sales by Product Category
(unaudited)
(\$ in millions)

	<u>Three Months Ended March 31,</u>		% Growth @ Actual Rates	% Growth @ Constant Rates
	2022	2021		
Renal Care ¹	\$ 894	\$ 922	(3) %	1 %
Medication Delivery ²	706	652	8 %	10 %
Pharmaceuticals ³	521	552	(6) %	(2) %
Clinical Nutrition ⁴	227	234	(3) %	1 %
Advanced Surgery ⁵	228	217	5 %	8 %
Acute Therapies ⁶	188	207	(9) %	(7) %
BioPharma Solutions ⁷	156	135	16 %	21 %
Patient Support Systems ⁸	383	—	N/A	N/A
Front Line Care ⁹	294	—	N/A	N/A
Surgical Solutions ¹⁰	78	—	N/A	N/A
Other ¹¹	32	27	19 %	19 %
Total Baxter	\$ 3,707	\$ 2,946	26 %	29 %

¹ Includes sales of the company's peritoneal dialysis (PD), hemodialysis (HD) and additional dialysis therapies and services.

² Includes sales of the company's intravenous (IV) therapies, infusion pumps, administration sets and drug reconstitution devices.

³ Includes sales of the company's premixed and oncology drug platforms, inhaled anesthesia and critical care products and pharmacy compounding services.

⁴ Includes sales of the company's parenteral nutrition (PN) therapies and related products.

⁵ Includes sales of the company's biological products and medical devices used in surgical procedures for hemostasis, tissue sealing and adhesion prevention.

⁶ Includes sales of the company's continuous renal replacement therapies (CRRT) and other organ support therapies focused in the intensive care unit (ICU).

⁷ Includes sales of contracted services the company provides to various pharmaceutical and biopharmaceutical companies.

⁸ Includes sales of connected care solutions: devices, software, communications and integration technologies.

⁹ Includes sales of integrated patient monitoring and diagnostic technologies to help diagnose, treat and manage a wide variety of illness and diseases, including respiratory therapy, cardiology, vision screening and physical assessment.

¹⁰ Includes sales of surgical video technologies, tables, lights, pendants, precision positioning devices and other accessories.

¹¹ Includes sales of other miscellaneous product and service offerings.

Constant currency growth is a non-GAAP measure. For more information on the company's use of non-GAAP financial measures, please see the Non-GAAP Financial Measures section of this press release.

BAXTER INTERNATIONAL INC.
Product Category Sales by U.S. and International
(unaudited)
(\$ in millions)

Three Months Ended March 31,

	2022			2021			% Growth		
	U.S.	International	Total	U.S.	International	Total	U.S.	International	Total
Renal Care	\$ 225	\$ 669	\$ 894	\$ 216	\$ 706	\$ 922	4 %	(5)%	(3)%
Medication Delivery	472	234	706	411	241	652	15 %	(3)%	8 %
Pharmaceuticals	157	364	521	200	352	552	(22)%	3 %	(6)%
Clinical Nutrition	84	143	227	83	151	234	1 %	(5)%	(3)%
Advanced Surgery	136	92	228	126	91	217	8 %	1 %	5 %
Acute Therapies	68	120	188	81	126	207	(16)%	(5)%	(9)%
BioPharma Solutions	52	104	156	44	91	135	18 %	14 %	16 %
Patient Support Systems	295	88	383	—	—	—	N/A	N/A	N/A
Front Line Care	207	87	294	—	—	—	N/A	N/A	N/A
Surgical Solutions	37	41	78	—	—	—	N/A	N/A	N/A
Other	24	8	32	19	8	27	26 %	0 %	19 %
Total Baxter	\$ 1,757	\$ 1,950	\$ 3,707	\$ 1,180	\$ 1,766	\$ 2,946	49 %	10 %	26 %

BAXTER INTERNATIONAL INC.
Reconciliation of Non-GAAP Financial Measure
Operating Cash Flow to Free Cash Flow
(unaudited)
(\$ in millions)

	Three Months Ended March 31,	
	2022	2021
Cash flows from operations – continuing operations	\$ 208	\$ 377
Cash flows from investing activities	(304)	(538)
Cash flows from financing activities	(548)	(358)
Cash flows from operations - continuing operations	\$ 208	\$ 377
Capital expenditures	(140)	(171)
Free cash flow - continuing operations	\$ 68	\$ 206

Free cash flow is a non-GAAP measure. For more information on the company's use of non-GAAP financial measures, please see the Non-GAAP Financial Measures section of this press release.

BAXTER INTERNATIONAL INC.
Reconciliation of Non-GAAP Financial Measure
Change in Net Sales Growth As Reported to Operational Sales Growth
From The Three Months Ended March 31, 2021 to The Three Months Ended March 31, 2022
(unaudited)

	Net Sales Growth As Reported	Hillrom	FX	Operational Sales Growth*
Renal Care	(3) %	0 %	4 %	1 %
Medication Delivery	8 %	0 %	2 %	10 %
Pharmaceuticals	(6) %	0 %	4 %	(2) %
Clinical Nutrition	(3) %	0 %	4 %	1 %
Advanced Surgery	5 %	0 %	3 %	8 %
Acute Therapies	(9) %	0 %	2 %	(7) %
BioPharma Solutions	16 %	0 %	5 %	21 %
Patient Support Systems	N/A	N/A	N/A	N/A
Front Line Care	N/A	N/A	N/A	N/A
Surgical Solutions	N/A	N/A	N/A	N/A
Other	19 %	0 %	0 %	19 %
Total Baxter	26 %	(26) %	3 %	3 %
U.S.	49 %	(46) %	0 %	3 %
International	10 %	(12) %	6 %	3 %

*Totals may not add across due to rounding

Operational sales growth is a non-GAAP measure. For more information on the company's use of non-GAAP financial measures, please see the Non-GAAP Financial Measures section of this press release.

BAXTER INTERNATIONAL INC.
Reconciliation of Non-GAAP Financial Measures
Projected Second Quarter and Full Year 2022 U.S. GAAP Sales Growth to Projected Operational Sales Growth, and
Projected Second Quarter and Full Year 2022 U.S. GAAP Earnings Per Share to Projected Adjusted Earnings Per
Share
(unaudited)

Sales Growth Guidance	Q2 2022*	FY 2022*
Sales Growth - U.S. GAAP	26%	23% - 24%
Hillrom	(25)% - (26)%	(22)% - (23)%
Foreign exchange	3% - 4%	2%
Sales Growth - Operational	4%	3%

*Totals may not foot due to rounding

Earnings Per Share Guidance	Q2 2022*	FY 2022*
Earnings per Diluted Share - U.S. GAAP	\$0.48 - \$0.51	\$2.35 - \$2.43
Estimated intangible asset amortization	\$0.29	\$1.11
Estimated business optimization charges	\$0.02	\$0.16
Estimated acquisition and integration expenses	\$0.05	\$0.39
Estimated product-related items	\$0.00	\$0.04
Estimated European medical devices regulation	\$0.02	\$0.07
Earnings per Diluted Share - Adjusted	\$0.86 - \$0.89	\$4.12 - \$4.20

*Totals may not foot due to rounding

The company's outlook for U.S. GAAP earnings per share only includes the impact of special items that are known or expected as of the date of this release. Accordingly, actual U.S. GAAP earnings per share for the second quarter and full year of 2022 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, or unusual or infrequently occurring items that may occur during the remainder of 2022.