

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

	Three Months Ended September 30,		Change
	2023	2022	
NET SALES	\$ 3,708	\$ 3,609	3 %
COST OF SALES	2,591	2,564	1 %
GROSS MARGIN	1,117	1,045	7 %
<i>% of Net Sales</i>	30.1 %	29.0 %	1.1 pts
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,002	941	6 %
<i>% of Net Sales</i>	27.0 %	26.1 %	0.9 pts
RESEARCH AND DEVELOPMENT EXPENSES	166	151	10 %
<i>% of Net Sales</i>	4.5 %	4.2 %	0.3 pts
GOODWILL IMPAIRMENTS	—	2,785	NM
OTHER OPERATING INCOME, NET	—	48	NM
OPERATING INCOME (LOSS)	(51)	(2,880)	NM
<i>% of Net Sales</i>	(1.4)%	(79.8)%	78.4 pts
INTEREST EXPENSE, NET	128	104	23 %
OTHER (INCOME) EXPENSE, NET	(7)	61	NM
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(172)	(3,045)	NM
INCOME TAX BENEFIT	(223)	(54)	NM
<i>% of Income (Loss) from Continuing Operations Before Income Taxes</i>	129.7 %	1.8 %	NM
INCOME (LOSS) FROM CONTINUING OPERATIONS	51	(2,991)	NM
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	2,460	57	NM
NET INCOME (LOSS)	2,511	(2,934)	NM
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	3	3	0 %
NET INCOME (LOSS) ATTRIBUTABLE TO BAXTER STOCKHOLDERS	\$ 2,508	\$ (2,937)	NM
INCOME (LOSS) FROM CONTINUING OPERATIONS PER COMMON SHARE			
Basic	\$ 0.09	\$ (5.94)	NM
Diluted	\$ 0.09	\$ (5.94)	NM
INCOME FROM DISCONTINUED OPERATIONS PER COMMON SHARE			
Basic	\$ 4.85	\$ 0.11	NM
Diluted	\$ 4.83	\$ 0.11	NM
NET INCOME (LOSS) PER COMMON SHARE			
Basic	\$ 4.95	\$ (5.83)	NM
Diluted	\$ 4.93	\$ (5.83)	NM
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING			
Basic	507	504	
Diluted	509	504	
ADJUSTED OPERATING INCOME (excluding special items)¹	\$ 565	\$ 568	(1)%
ADJUSTED INCOME FROM CONTINUING OPERATIONS (excluding special items)¹	\$ 347	\$ 365	(5)%
ADJUSTED INCOME FROM DISCONTINUED OPERATIONS (excluding special items)¹	\$ 71	\$ 52	37 %
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER STOCKHOLDERS (excluding special items)¹	\$ 415	\$ 414	0 %
ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS (excluding special items)¹	\$ 0.68	\$ 0.71	(4)%
ADJUSTED DILUTED EPS FROM DISCONTINUED OPERATIONS (excluding special items)¹	\$ 0.14	\$ 0.10	40 %
ADJUSTED DILUTED EPS (excluding special items)¹	\$ 0.82	\$ 0.82	0 %

¹ Refer to page 11 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 September 30, 2023 included special items which impacted the U.S. GAAP measures as follows:

	Gross Margin	Selling, General and Administrative Expenses	Research and Development Expenses	Operating Income (Loss)	Loss From Continuing Operations Before Income Taxes	Income Tax Expense (Benefit)	Income (Loss) From Continuing Operations	Income From Discontinued Operations, Net of Tax	Net Income (Loss)	Net Income (Loss) Attributable to Baxter Stockholders	Diluted Earnings Per Share from Continuing Operations	Diluted Earnings Per Share from Discontinued Operations	Diluted Earnings Per Share
Reported	\$1,117	\$ 1,002	\$ 166	\$ (51)	\$ (172)	\$ (223)	\$ 51	\$ 2,460	\$2,511	\$ 2,508	\$ 0.09	\$ 4.83	\$ 4.93
Reported percent of net sales (or effective tax rate for income tax expense (benefit))	30.1 %	27.0 %	4.5 %	(1.4)%	(4.6)%	129.7 %	1.4 %	66.3 %	67.7 %	67.6 %			
Intangible asset amortization ¹	111	(51)	—	162	162	35	127	—	127	127	0.25	0.00	0.25
Business optimization items ²	26	(50)	(5)	81	81	19	62	1	63	63	0.12	0.00	0.12
Acquisition and integration items ³	1	(1)	—	2	2	1	1	—	1	1	0.00	0.00	0.00
Separation-related costs ⁴	10	(67)	—	77	77	—	77	4	81	81	0.15	0.01	0.16
European medical devices regulation ⁵	14	—	—	14	14	4	10	—	10	10	0.02	0.00	0.02
Legal matters ⁶	—	(13)	—	13	13	3	10	—	10	10	0.02	0.00	0.02
Long-lived asset impairments ⁷	267	—	—	267	267	62	205	—	205	205	0.40	0.00	0.40
Gain on BPS Sale ⁸	—	—	—	—	—	—	—	(2,603)	(2,603)	(2,603)	0.00	(5.11)	(5.11)
Tax matters ¹³	—	—	—	—	—	196	(196)	209	13	13	(0.39)	0.41	0.03
Adjusted	\$1,546	\$ 820	\$ 161	\$ 565	\$ 444	\$ 97	\$ 347	\$ 71	\$ 418	\$ 415	\$ 0.68	\$ 0.14	\$ 0.82
Adjusted percent of net sales (or effective tax rate for income tax expense (benefit))	41.7 %	22.1 %	4.3 %	15.2 %	12.0 %	21.8 %	9.4 %	1.9 %	11.3 %	11.2 %			

	Reported	Adjusted
Income (loss) from continuing operations	\$ 51	\$ 347
Less: Net income attributable to noncontrolling interests	3	3
Income (loss) from continuing operations attributable to Baxter stockholders	\$ 48	\$ 344

- ¹ The company's results in 2023 and 2022 included intangible asset amortization expense of \$162 million (\$127 million, or \$0.25 per diluted share, on an after-tax basis) and \$168 million (\$126 million, or \$0.25 per diluted share, on an after-tax basis), respectively.
- ² The company's results in 2023 and 2022 included charges of \$81 million (\$62 million, or \$0.12 per diluted share, on an after-tax basis) and \$73 million (\$52 million, or \$0.10 per diluted share, on an after-tax basis), respectively, associated with its execution of programs to optimize its organization and cost structure. These restructuring and other business optimization costs included actions related to its current implementation of a new operating model intended to simplify and streamline its operations, its integration of Hill-Rom Holdings, Inc. (Hillrom), the decision to cease production of dialyzers at one of its U.S.-based manufacturing facilities later this year, which resulted in a \$243 million noncash impairment of property, plant and equipment in the second quarter of 2023, rationalization of certain other manufacturing and distribution facilities and transformation of certain general and administrative functions.
- ³ The company's results in 2023 included \$2 million (\$1 million, or \$0.00 per diluted share, on an after-tax basis) of acquisition and integration-related items. That amount includes \$2 million of integration costs, which included costs related to its integration of Hillrom. The company's results in 2022 included \$4 million (\$2 million, or \$0.00 per diluted share, on an after-tax basis) of acquisition and integration-related items. That amount includes \$10 million of costs related to its acquisition of Hillrom, partially offset by a \$6 million benefit from a change in the estimated fair value of contingent consideration liabilities.
- ⁴ The company's results of continuing operations in 2023 included \$77 million (\$77 million, or \$0.15 per diluted share, on an after-tax basis) of separation-related costs. This amount includes costs of external advisors supporting its activities to prepare for the proposed spinoff of its Kidney Care segment, which are reported in continuing operations. The company's results of discontinued operations in 2023 included \$4 million (\$4 million, or \$0.01 per diluted share, on an after-tax basis) of separation-related costs related to the sale of its BioPharma Solutions (BPS) business.
- ⁵ The company's results in 2023 and 2022 included costs of \$14 million (\$10 million, or \$0.02 per diluted share, on an after-tax basis) and \$12 million (\$9 million, or \$0.02 per diluted share, on an after-tax basis), respectively, of incremental costs to comply with the European Union's medical device regulations for previously registered products, which primarily consist of contractor costs and other direct third-party costs. The company considers the adoption of these regulations to be a significant one-time regulatory change and believes that the costs of initial compliance for previously registered products over the implementation period are not indicative of its core operating results.
- ⁶ The company's results in 2023 included costs, including associated legal fees, of \$13 million (\$10 million, or \$0.02 per diluted share, on an after-tax basis) related to matters involving alleged violations of the False Claims Act related to a now-discontinued legacy Hillrom sales line, and alleged injury from environmental exposure.
- ⁷ The company's results in 2023 included long-lived asset impairment charges of \$267 million (\$205 million, or \$0.40 per diluted share, on an after-tax basis) related to the Hemodialysis business within its Kidney Care segment. The company's results in 2022 included charges of \$332 million (\$254 million, or \$0.50) per diluted share, on an after-tax basis) related to indefinite-lived intangible asset impairments.
- ⁸ The company's results of discontinued operations in 2023 included a gain of \$2.89 billion (\$2.60 billion, or \$5.11 per diluted share, on an after-tax basis) from the sale of its BPS business.
- ⁹ The company's results in 2022 included charges of \$20 million (\$18 million, or \$0.04 per diluted share, on an after-tax basis) related to warranty and remediation activities from a field corrective action on certain of our infusion pumps.
- ¹⁰ The company's results in 2022 included a charge of \$2.79 billion (2.79 billion, or \$5.49 per diluted share, on an after-tax basis) related to a goodwill impairment.
- ¹¹ The company's results in 2022 included a loss of \$54 million (\$40 million, or \$0.08 per diluted share, on an after-tax basis) related to an arrangement to divest certain product rights for an amount that is less than the cost of those product rights which was triggered by U.S. and European Union regulatory approvals of the related products.
- ¹² The company's results in 2022 included a charge of \$65 million (\$65 million, or \$0.13 per diluted share, on an after-tax basis) related to cumulative translation adjustments reclassified from accumulated other comprehensive income (loss) as a result of the substantial liquidation of its operations in Argentina.
- ¹³ The company's results of continuing operations in 2023 included tax items totaling a \$196 million (\$0.39 per diluted share), primarily comprised of a \$209 million reallocation of income tax expense between discontinued operations and continuing operations resulting from the application of intraperiod tax allocation to the company's adjusted results. That item was partially offset by \$13 million of separation-related tax costs. The company's results of continuing operations in 2022 included a \$5 million reallocation of income taxes between continuing operations and discontinued operations resulting from the application of intraperiod tax allocation to the company's adjusted results.

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

	Nine Months Ended September 30,		
	2023	2022	Change
NET SALES	\$ 10,928	\$ 10,761	2 %
COST OF SALES	7,425	7,083	5 %
GROSS MARGIN	3,503	3,678	(5)%
<i>% of Net Sales</i>	32.1 %	34.2 %	(2.1 pts)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,961	2,958	0 %
<i>% of Net Sales</i>	27.1 %	27.5 %	(0.4 pts)
RESEARCH AND DEVELOPMENT EXPENSES	495	448	10 %
<i>% of Net Sales</i>	4.5 %	4.2 %	0.3 pts
GOODWILL IMPAIRMENTS	—	2,785	NM
OTHER OPERATING INCOME, NET	(14)	20	NM
OPERATING INCOME (LOSS)	61	(2,533)	NM
<i>% of Net Sales</i>	0.6 %	(23.5)%	24.1 pts
INTEREST EXPENSE, NET	369	278	33 %
OTHER (INCOME) EXPENSE, NET	33	1	NM
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(341)	(2,812)	(88)%
INCOME TAX EXPENSE	(199)	(14)	NM
<i>% of Income (Loss) from Continuing Operations Before Income Taxes</i>	58.4 %	0.5 %	(57.9 pts)
LOSS FROM CONTINUING OPERATIONS	(142)	(2,798)	NM
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	2,559	192	NM
NET INCOME (LOSS)	2,417	(2,606)	NM
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	6	8	(25)%
NET INCOME (LOSS) ATTRIBUTABLE TO BAXTER STOCKHOLDERS	\$ 2,411	\$ (2,614)	NM
INCOME (LOSS) FROM CONTINUING OPERATIONS PER COMMON SHARE			
Basic	\$ (0.29)	\$ (5.58)	(95)%
Diluted	\$ (0.29)	\$ (5.58)	(95)%
INCOME FROM DISCONTINUED OPERATIONS PER COMMON SHARE			
Basic	\$ 5.06	\$ 0.38	NM
Diluted	\$ 5.06	\$ 0.38	NM
NET INCOME (LOSS) PER COMMON SHARE			
Basic	\$ 4.76	\$ (5.20)	NM
Diluted	\$ 4.76	\$ (5.20)	NM
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING			
Basic	506	503	
Diluted	506	503	
ADJUSTED OPERATING INCOME (excluding special items)¹	\$ 1,493	\$ 1,683	(11)%
ADJUSTED INCOME (LOSS) FROM CONTINUING OPERATIONS (excluding special items)¹	\$ 878	\$ 1,149	(24)%
ADJUSTED INCOME FROM DISCONTINUED OPERATIONS (excluding special items)¹	\$ 175	\$ 187	(6)%
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER STOCKHOLDERS (excluding special items)¹	\$ 1,047	\$ 1,328	(21)%
ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS (excluding special items)¹	\$ 1.72	\$ 2.25	(24)%
ADJUSTED DILUTED EPS FROM DISCONTINUED OPERATIONS (excluding special items)¹	\$ 0.35	\$ 0.37	(5)%
ADJUSTED DILUTED EPS (excluding special items)¹	\$ 2.07	\$ 2.61	(21)%

¹ Refer to page 13 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 nine months ended September 30, 2023 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 (Loss)	Other (Income) Expense, Net	Income (Loss) From Continuing Operations Before Income Taxes	Income Tax Expense (Benefit)	Income (Loss) From Continuing Operations	Income From Discontinued Operations, Net of Tax	Net Income (Loss)	Net Income (Loss) Attributable to Baxter Stockholders	Diluted Earnings Per Share From Continuing Operations	Diluted Earnings Per Share from Discontinued Operations	Diluted Earnings Per Share
Reported	\$3,503	\$ 2,961	\$ 495	\$ (14)	\$ 61	\$ 33	\$ (341)	\$ (199)	\$ (142)	\$ 2,559	\$2,417	\$ 2,411	\$ (0.29)	\$ 5.06	\$ 4.76
Reported percent of net sales (or effective tax rate for income tax expense)	32.1 %	27.1 %	4.5 %	(0.1)%	0.6 %	0.3 %	(3.1)%	58.4 %	(1.3)%	23.4 %	22.1 %	22.1 %			
Intangible asset amortization ¹	326	(155)	—	—	481	—	481	106	375	—	375	375	0.74	0.00	0.74
Business optimization items ²	327	(169)	(12)	—	508	—	508	92	416	1	417	417	0.82	0.00	0.82
Acquisition and integration items ³	1	(15)	—	14	2	—	2	1	1	—	1	1	0.00	0.00	0.00
Separation-related costs ⁴	15	(108)	—	—	123	—	123	—	123	19	142	142	0.24	0.04	0.28
European medical devices regulation ⁵	38	—	—	—	38	—	38	11	27	—	27	27	0.05	0.00	0.05
Investment Impairments ⁶	—	—	—	—	—	(20)	20	5	15	—	15	15	0.03	0.00	0.03
Legal matters ⁷	—	(13)	—	—	13	—	13	3	10	—	10	10	0.02	0.00	0.02
Long-lived asset impairments ⁸	267	—	—	—	267	—	267	62	205	—	205	205	0.40	0.00	0.40
Gain on BPS Sale ⁹	—	—	—	—	—	—	—	—	—	(2,603)	(2,603)	(2,603)	0.00	(5.13)	(5.13)
Tax Matters ¹⁵	—	—	—	—	—	—	—	152	(152)	199	47	47	(0.30)	0.39	0.09
Adjusted	\$4,477	\$ 2,501	\$ 483	\$ —	\$1,493	\$ 13	\$ 1,111	\$ 233	\$ 878	\$ 175	\$1,053	\$ 1,047	\$ 1.72	\$ 0.35	\$ 2.07
Adjusted percent of net sales (or effective tax rate for income tax expense)	41.0 %	22.9 %	4.4 %	0.0 %	13.7 %	0.1 %	10.2 %	21.0 %	8.0 %	1.6 %	9.6 %	9.6 %			

	Reported	Adjusted
Income (loss) from continuing operations	\$ (142)	\$ 878
Less: Net income attributable to noncontrolling interests	6	6
Income (loss) from continuing operations attributable to Baxter stockholders	\$ (148)	\$ 872
Weighted-average diluted shares as reported	506	
Effect of dilutive securities that were anti-dilutive to dilutive EPS as reported	1	
Weighted-average diluted shares as adjusted	507	

The company's U.S. GAAP results for the nine months ended September 30, 2022 included special items which impacted the U.S. GAAP measures as follows:

	Gross Margin	Selling, General and Administrative Expenses	Research and Development Expenses	Goodwill Impairment	Other Operating Expense, Net	Operating Income (Loss)	Other (Income) Expense, Net	Income (Loss) From Continuing Operations Before Income Taxes	Income Tax Expense (Benefit)	Income (Loss) From Continuing Operations	Income From Discontinued Operations, Net of Tax	Net Income (Loss)	Net Income (Loss) Attributable to Baxter Stockholders	Diluted Earnings Per Share From Continuing Operations	Diluted Earnings Per Share From Discontinued Operations	Diluted Earnings Per Share
Reported	\$3,678	\$ 2,958	\$ 448	\$ 2,785	\$ 20	\$(2,533)	\$ 1	\$(2,812)	\$ (14)	\$(2,798)	\$ 192	\$(2,606)	\$(2,614)	\$ (5.58)	\$ 0.38	\$(5.20)
Reported percent of net sales (or effective tax rate for income tax expense)	34.2 %	27.5 %	4.2 %	25.9 %	0.2 %	(23.5)%	0.0 %	(26.1)%	0.5 %	(26.0)%	1.8 %	(24.2)%	(24.3)%			
Intangible asset amortization ¹	344	(234)	—	—	—	578	—	578	137	441	—	441	441	0.87	0.00	0.87
Business optimization items ²	21	(171)	(4)	—	—	196	—	196	52	144	—	144	144	0.28	0.00	0.28
Acquisition and integration items ³	171	(55)	(1)	—	34	193	—	193	36	157	—	157	157	0.31	0.00	0.31
European medical devices regulation ⁵	35	—	—	—	—	35	—	35	8	27	—	27	27	0.05	0.00	0.05
Product-related items ¹⁰	43	—	—	—	—	43	—	43	5	38	—	38	38	0.07	0.00	0.07
Pension curtailment ¹¹	—	—	—	—	—	—	11	(11)	(2)	(9)	—	(9)	(9)	(0.02)	0.00	(0.02)
Long-lived asset impairments ⁸	332	—	—	—	—	332	—	332	78	254	—	254	254	0.50	0.00	0.50
Goodwill impairments ¹¹	—	—	—	(2,785)	—	2,785	—	2,785	—	2,785	—	2,785	2,785	5.48	0.00	5.48
Loss on product divestiture arrangement ¹³	—	—	—	—	(54)	54	—	54	14	40	—	40	40	0.08	0.00	0.08
Reclassification of cumulative translation loss to earnings ¹⁴	—	—	—	—	—	—	(65)	65	—	65	—	65	65	0.13	0.00	0.13
Tax matters ¹⁵	—	—	—	—	—	—	—	—	(5)	5	(5)	—	—	0.01	(0.01)	0.00
Adjusted	\$4,624	\$ 2,498	\$ 443	\$ —	\$ —	\$1,683	\$(53)	\$ 1,458	\$ 309	\$ 1,149	\$ 187	\$1,336	\$ 1,328	2.25	0.37	2.62
Adjusted percent of net sales (or effective tax rate for income tax expense)	43.0 %	23.2 %	4.1 %	0.0 %	0.0 %	15.6 %	(0.5)%	13.5 %	21.2 %	10.7 %	1.7 %	12.4 %	12.3 %			

	Reported	Adjusted
Income (loss) from continuing operations	\$(2,798)	\$ 1,149
Less: Net income attributable to noncontrolling interests	8	8
Income (loss) from continuing operations attributable to Baxter stockholders	\$(2,806)	\$ 1,141
Weighted-average diluted shares as reported	503	
Effect of dilutive securities that were anti-dilutive to dilutive EPS as reported	5	
Weighted-average diluted shares as adjusted	508	

¹ The company's results in 2023 and 2022 included intangible asset amortization expense of \$481 million (\$375 million, or \$0.74 per diluted share, on an after-tax basis) and \$578 million (\$441 million, or \$0.87 per diluted share, on an after-tax basis), respectively.

² The company's results in 2023 and 2022 included charges of \$508 million (\$416 million, or \$0.82 per diluted share, on an after-tax basis) and \$196 million (\$144 million, or \$0.28 per diluted share, on an after-tax basis), respectively, associated with its execution of programs to optimize its organization and cost structure. These restructuring and other business optimization costs included actions related to its implementation of a new operating model intended to simplify and streamline its operations, its integration of Hillrom, the decision to cease production of dialyzers at one its U.S.-based manufacturing facilities later this year, which resulted in a \$243 million noncash impairment of property, plant and equipment in the first half of 2023, rationalization of certain other manufacturing and distribution facilities and transformation of certain general and administrative functions.

³ The company's results in 2023 included a \$2 million (\$1 million, or \$0.00 per diluted share, on an after-tax basis) of acquisition and integration-related expenses. That amount included \$16 million of costs related to its integration of Hillrom, partially offset by a \$14 million benefit from changes in the estimated fair values of contingent consideration liabilities. The company's results in 2022 included \$193 million (\$157 million, or \$0.31 per diluted share, on an after-tax basis) of acquisition and integration-related expenses. That amount includes \$227 million of costs related to its acquisition of Hillrom, including \$159 million of incremental costs of sales from the fair value step-ups on acquired Hillrom inventory that was sold in the first quarter. The acquisition and integration-related expenses related to Hillrom were partially offset by \$34 million of benefits from changes in the estimated fair value of contingent consideration liabilities.

⁴ The company's results of continuing operations in 2023 included costs of \$123 million (\$123 million, or \$0.24 per diluted share, on an after-tax basis) of separation-related costs. This amount includes costs of external advisors supporting its activities to prepare for the proposed spinoff of its Kidney Care segment, which are reported in continuing operations. The company's results of discontinued operations in 2023 included \$19 million (\$19 million, or \$0.04 per diluted share, on an after-tax basis) of separation-related costs related to the sale of its BioPharma Solutions (BPS) business.

⁵ The company's results in 2023 and 2022 included costs of \$38 million (\$27 million, or \$0.05 per diluted share, on an after-tax basis) and \$35 million (\$27 million, or \$0.05 per diluted share, on an after-tax basis), respectively, of incremental costs to comply with the European Union's medical device regulations for previously registered products, which primarily consist of contractor costs and other direct third-party costs. The company considers the adoption of these regulations to be a significant one-time regulatory change and believes that the costs of initial compliance for previously registered products over the implementation period are not indicative of its core operating results.

⁶ The company's results in 2023 included losses of \$20 million (\$15 million, or \$0.03 per diluted share, on an after-tax basis) from non-marketable investments in several early stage companies, consisting of \$23 million of noncash impairment write-downs, partially offset by a \$3 million gain from the sale of an investment.

⁷ The company's results of continuing operations in 2023 included costs, including associated legal fees, of \$13 million (\$10 million, or \$0.02 per diluted share, on an after-tax basis) are related to matters involving alleged violations of the False Claims Act related to a now-discontinued legacy Hillrom sales line, and alleged injury from environmental exposure.

⁸ The company's results in 2023 included long-lived asset impairment charges of \$267 million (\$205 million, or \$0.40 per diluted share, on an after-tax basis) related to the Hemodialysis business within its Kidney Care segment. The company's results in 2022 included charges of \$332 million (\$254 million, or \$0.50 per diluted share, on an after-tax basis) related to indefinite-lived intangible asset impairments.

- ⁹ The company's results of discontinued operations in 2023 included a gain of \$2.89 billion (\$2.60 billion, or \$5.13 per diluted share, on an after-tax basis) from the sale of its BPS business.
- ¹⁰ The company's results in 2022 included charges of \$43 million (\$38 million, or \$0.07 per diluted share, on an after-tax basis) related to warranty and remediation activities from two field corrective actions on certain of its infusion pumps.
- ¹¹ The company's results in 2022 included a curtailment gain of \$11 million (\$9 million, or \$0.02 per diluted share, on an after-tax basis) on an announced change for active non-bargaining participants in our U.S. Hillrom pension plan.
- ¹² The company's results in 2022 included charges of \$2.79 billion (\$2.79 billion, or \$5.48 per diluted share, on an after-tax basis) related to goodwill and indefinite-lived intangible asset impairments.
- ¹³ The company's results in 2022 included a loss of \$54 million (\$40 million, or \$0.08 per diluted share, on an after-tax basis) related to an arrangement to divest certain product rights for an amount that is less than the cost of those product rights which was triggered by U.S. and European Union regulatory approvals of the related products.
- ¹⁴ The company's results in 2022 included a charge of \$65 million (\$65 million, or \$0.13 per diluted share, on an after-tax basis) related to cumulative translation adjustments reclassified from accumulated other comprehensive income (loss) as a result of the substantial liquidation of its operations in Argentina.
- ¹⁵ The company's results of continuing operations in 2023 included tax expense items totaling \$152 million (\$0.30 per diluted share), primarily comprised of a \$199 million reallocation of income tax expense between discontinued operations and continuing operations resulting from the application of intraperiod tax allocation to the company's adjusted results. That item was partially offset by a \$30 million valuation allowance recorded to reduce the carrying amount of a deferred tax asset for a tax basis step-up related to previously enacted Swiss tax legislation and \$17 million of separation-related tax costs. The company's results of continuing operations in 2022 included a \$5 million reallocation of income taxes between continuing operations and discontinued operations resulting from the application of intraperiod tax allocation to the company's adjusted results.

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)

The Medical Products and Therapies segment includes sales of our sterile IV solutions, infusion systems, administration sets, parenteral nutrition therapies and surgical hemostat, sealant and adhesion prevention products. The Healthcare Systems and Technologies segment includes sales of our connected care solutions and collaboration tools, including smart bed systems, patient monitoring systems and diagnostic technologies, respiratory health devices and advanced equipment for the surgical space, including surgical video technologies, precision positioning devices and other accessories. The Pharmaceuticals segment includes sales of specialty injectable pharmaceuticals, inhaled anesthesia and drug compounding. The Kidney Care segment includes sales of chronic and acute dialysis therapies and services, including peritoneal dialysis, hemodialysis, continuous renal replacement therapies (CRRT) and other organ support therapies. Other sales not allocated to a segment primarily include sales of products and services provided directly through certain of our manufacturing facilities.

	Three Months Ended September 30,		% Growth @ Actual Rates	% Growth @ Constant Rates	Nine Months Ended September 30,		% Growth @ Actual Rates	% Growth @ Constant Rates
	2023	2022			2023	2022		
Infusion Therapies and Technologies	\$ 1,003	\$ 956	5 %	4 %	\$ 2,918	\$ 2,829	3 %	4 %
Advanced Surgery	255	247	3 %	3 %	773	738	5 %	6 %
Medical Products and Therapies	1,258	1,203	5 %	4 %	3,691	3,567	3 %	4 %
Care and Connectivity Solutions	443	456	(3)%	(4)%	1,307	1,350	(3)%	(3)%
Front Line Care	301	279	8 %	8 %	911	855	7 %	7 %
Healthcare Systems and Technologies	744	735	1 %	0 %	2,218	2,205	1 %	1 %
Injectables and Anesthesia	351	325	8 %	7 %	987	961	3 %	4 %
Drug Compounding	229	200	15 %	13 %	665	613	8 %	12 %
Pharmaceuticals	580	525	10 %	9 %	1,652	1,574	5 %	7 %
Chronic Therapies	921	934	(1)%	(3)%	2,730	2,744	(1)%	1 %
Acute Therapies	188	166	13 %	12 %	564	542	4 %	6 %
Kidney Care	1,109	1,100	1 %	0 %	3,294	3,286	0 %	2 %
Other	17	46	(63)%	(61)%	73	129	(43)%	(46)%
Total - Continuing Operations	\$ 3,708	\$ 3,609	3 %	2 %	\$ 10,928	\$ 10,761	2 %	3 %

In connection with our segment change in the third quarter of 2023, we made the following reclassifications of prior period sales amounts to conform to the current period presentation. We reclassified \$16 million of sales from the first half of 2023 and \$8 million and \$23 million for the three and nine months ended September 30, 2022, respectively, from Chronic Therapies to Acute Therapies. Additionally, in connection with the reclassification of our BPS business to discontinued operations during the second quarter of 2023, we reclassified \$2 million of contract manufacturing revenues from the first quarter of 2023 and \$8 million and \$26 million for the three and nine months ended September 30, 2022, respectively, from BPS to Other (within continuing operations), as the related manufacturing facility was not part of that divestiture transaction.

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.
Segment Operating Income
(unaudited)
(\$ in millions)

(in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Medical Products and Therapies	\$ 245	\$ 257	\$ 706	\$ 703
<i>% of Segment Net Sales</i>	<i>19.5 %</i>	<i>21.4 %</i>	<i>19.1 %</i>	<i>19.7 %</i>
Healthcare Systems and Technologies	115	108	327	367
<i>% of Segment Net Sales</i>	<i>15.5 %</i>	<i>14.7 %</i>	<i>14.7 %</i>	<i>16.6 %</i>
Pharmaceuticals	108	82	284	295
<i>% of Segment Net Sales</i>	<i>18.6 %</i>	<i>15.6 %</i>	<i>17.2 %</i>	<i>18.7 %</i>
Kidney Care	96	103	208	307
<i>% of Segment Net Sales</i>	<i>8.7 %</i>	<i>9.4 %</i>	<i>6.3 %</i>	<i>9.3 %</i>
Other	6	17	19	52
Total	570	567	1,544	1,724
Unallocated corporate costs	(5)	1	(51)	(41)
Intangible asset amortization expense	(162)	(168)	(481)	(578)
Long-lived asset impairments	(267)	(332)	(267)	(332)
Legal matters	(13)	—	(13)	—
Goodwill impairments	—	(2,785)	—	(2,785)
Business optimization items	(81)	(73)	(508)	(196)
Acquisition and integration items	(2)	(4)	(2)	(193)
Loss on product divestiture arrangement	—	(54)	—	(54)
Divestiture-related costs	(77)	—	(123)	—
European Medical Devices Regulation	(14)	(12)	(38)	(35)
Product-related items	—	(20)	—	(43)
Total operating income (loss)	(51)	(2,880)	61	(2,533)
Interest expense, net	128	104	369	278
Other (income) expense, net	(7)	61	33	1
Loss from continuing operations before income taxes	\$ (172)	\$ (3,045)	\$ (341)	\$ (2,812)

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

Three Months Ended September 30,

	2023			2022			% Growth		
	U.S.	International	Total	U.S.	International	Total	U.S.	International	Total
Infusion Therapies and Technologies	\$ 570	\$ 433	\$ 1,003	\$ 567	\$ 389	\$ 956	1 %	11 %	5 %
Advanced Surgery	139	116	255	141	106	247	(1)%	9 %	3 %
Medical Products and Therapies	709	549	1,258	708	495	1,203	0 %	11 %	5 %
Care and Connectivity Solutions	317	126	443	339	117	456	(6)%	8 %	(3)%
Front Line Care	234	67	301	209	70	279	12 %	(4)%	8 %
Healthcare Systems and Technologies	551	193	744	548	187	735	1 %	3 %	1 %
Injectables and Anesthesia	195	156	351	173	152	325	13 %	3 %	8 %
Drug Compounding	—	229	229	—	200	200	0 %	15 %	15 %
Pharmaceuticals	195	385	580	173	352	525	13 %	9 %	10 %
Chronic Therapies	233	688	921	236	698	934	(1)%	(1)%	(1)%
Acute Therapies	66	122	188	57	109	166	16 %	12 %	13 %
Kidney Care	299	810	1,109	293	807	1,100	2 %	0 %	1 %
Other	12	5	17	36	10	46	(67)%	(50)%	(63)%
Total - Continuing Operations	\$ 1,766	\$ 1,942	\$ 3,708	\$ 1,758	\$ 1,851	\$ 3,609	0 %	5 %	3 %

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

Nine Months Ended September 30,

	2023			2022			% Growth		
	U.S.	International	Total	U.S.	International	Total	U.S.	International	Total
Infusion Therapies and Technologies	\$ 1,654	\$ 1,264	\$ 2,918	\$ 1,672	\$ 1,157	\$ 2,829	(1)%	9 %	3 %
Advanced Surgery	433	340	773	428	310	738	1 %	10 %	5 %
Medical Products and Therapies	2,087	1,604	3,691	2,100	1,467	3,567	(1)%	9 %	3 %
Care and Connectivity Solutions	926	381	1,307	991	359	1,350	(7)%	6 %	(3)%
Front Line Care	681	230	911	618	237	855	10 %	(3)%	7 %
Healthcare Systems and Technologies	1,607	611	2,218	1,609	596	2,205	(0)%	3 %	1 %
Injectables and Anesthesia	550	437	987	494	467	961	11 %	(6)%	3 %
Drug Compounding	—	665	665	—	613	613	0 %	8 %	8 %
Pharmaceuticals	550	1,102	1,652	494	1,080	1,574	11 %	2 %	5 %
Chronic Therapies	689	2,041	2,730	675	2,069	2,744	2 %	(1)%	(1)%
Acute Therapies	194	370	564	194	348	542	0 %	6 %	4 %
Kidney Care	883	2,411	3,294	869	2,417	3,286	2 %	(0)%	0 %
Other	56	17	73	98	31	129	(43)%	(45)%	(43)%
Total - Continuing Operations	\$ 5,183	\$ 5,745	\$10,928	\$ 5,170	\$ 5,591	\$10,761	0 %	3 %	2 %

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

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operations – continuing operations	\$ 1,097	\$ 594
Cash flows from investing activities - continuing operations	(489)	(634)
Cash flows from financing activities - continuing operations	(554)	(1,319)
Cash flows from operations - continuing operations	\$ 1,097	\$ 594
Capital expenditures - continuing operations	(502)	(438)
Free cash flow - continuing operations	\$ 595	\$ 156
	Nine Months Ended September 30,	
	2023	2022
Cash flows from operations – discontinued operations	\$ 98	178
Cash flows from investing activities - discontinued operations	3,932	(41)
Cash flows from operations - discontinued operations	\$ 98	\$ 178
Capital expenditures - discontinued operations	(27)	(41)
Free cash flow - discontinued operations	\$ 71	\$ 137
	Nine Months Ended September 30,	
	2023	2022
Cash flows from operations – Total Baxter	\$ 1,195	\$ 772
Cash flows from investing activities - Total Baxter	3,443	(675)
Cash flows from financing activities - Total Baxter	(554)	(1,319)
Cash flows from operations - Total Baxter	\$ 1,195	\$ 772
Capital expenditures - Total Baxter	(529)	(479)
Free cash flow - Total Baxter	\$ 666	\$ 293

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 Constant Currency Sales Growth
From The Three Months Ended September 30, 2022 to The Three Months Ended September 30, 2023
(unaudited)

	Net Sales Growth As Reported	FX	Constant Currency Sales Growth*
Infusion Therapies and Technologies	5 %	(1) %	4 %
Advanced Surgery	3 %	0 %	3 %
Medical Products and Therapies	5 %	(1)%	4 %
Care and Connectivity Solutions	(3)%	(1) %	(4) %
Front Line Care	8 %	0 %	8 %
Healthcare Systems and Technologies	1 %	(1)%	0 %
Injectables and Anesthesia	8 %	(1)%	7 %
Drug Compounding	15 %	(2)%	13 %
Pharmaceuticals	10 %	(1)%	9 %
Chronic Therapies	(1)%	(2) %	(3)%
Acute Therapies	13 %	(1)%	12 %
Kidney Care	1 %	(1)%	0 %
Other	(63)%	2 %	(61)%
Total - Continuing Operations	3 %	(1)%	2 %
Discontinued Operations	16 %	(5) %	11 %
Total - Continuing and Discontinued Operations	3 %	(1)%	2 %
U.S. - Continuing Operations	0 %	0 %	0 %
U.S. - Discontinued Operations	(13)%	0 %	(13)%
U.S. Total - Continuing and Discontinued Operations	0 %	0 %	0 %
International - Continuing Operations	5 %	(2)%	3 %
International - Discontinued Operations	53 %	(12)%	41 %
International Total - Continuing and Discontinued Operations	7 %	(3)%	4 %

*Totals may not add across due to rounding

Constant currency 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 Measure
Change in Net Sales Growth As Reported to Constant Currency Sales Growth
From The Nine Months Ended September 30, 2022 to The Nine Months Ended September 30, 2023
(unaudited)

	Net Sales Growth As Reported	FX	Constant Currency Sales Growth*
Infusion Therapies and Technologies	3 %	1 %	4 %
Advanced Surgery	5 %	1 %	6 %
Medical Products and Therapies	3 %	1 %	4 %
Care and Connectivity Solutions	(3)%	0 %	(3) %
Front Line Care	7 %	0 %	7 %
Healthcare Systems and Technologies	1 %	0 %	1 %
Injectables and Anesthesia	3 %	1 %	4 %
Drug Compounding	8 %	4 %	12 %
Pharmaceuticals	5 %	2 %	7 %
Chronic Therapies	(1)%	2 %	1 %
Acute Therapies	4 %	2 %	6 %
Kidney Care	0 %	2 %	2 %
Other	(43)%	(3)%	(46)%
Total - Continuing Operations	2 %	1 %	3 %
Discontinued Operations	1 %	(1) %	0 %
Total - Continuing and Discontinued Operations	2 %	0 %	2 %
U.S. - Continuing Operations	0 %	0 %	0 %
U.S. - Discontinued Operations	6 %	0 %	6 %
U.S. Total - Continuing and Discontinued Operations	0 %	0 %	0 %
International - Continuing Operations	3 %	2 %	5 %
International - Discontinued Operations	(3)%	(2)%	(5)%
International Total - Continuing and Discontinued Operations	3 %	1 %	4 %

*Totals may not add across due to rounding

Constant currency 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 Fourth Quarter and Full Year 2023 Continuing Operations U.S. GAAP Sales Growth to Projected Continuing Operations Constant Currency Sales Growth and Projected Fourth Quarter and Full Year 2023 Adjusted Earnings Per Share
(unaudited)

Sales Growth Guidance**	Q4 2023	FY 2023*
Continuing operations sales growth - U.S. GAAP	1 - 2%	1 - 2%
Foreign Exchange	~(0.5)%	~ 0.5%
Continuing operations sales growth - Constant currency	~ 1%	~ 2%

Adjusted Earnings Per Share Guidance	Q4 2023	FY 2023
Adjusted diluted EPS - Continuing operations	\$0.85 - \$0.88	\$2.57 - \$2.60

*Totals may not foot due to rounding

Baxter calculates forward-looking non-GAAP financial measures based on forecasts that omit certain amounts that would be included in GAAP financial measures. For instance, forward-looking adjusted diluted EPS guidance excludes potential charges or gains that would be reflected as non-GAAP adjustments to earnings. Baxter provides forward-looking adjusted diluted EPS guidance because it believes that this measure provides useful information for the reasons noted in the accompanying release. Baxter has not provided reconciliations of forward-looking adjusted EPS guidance to forward-looking GAAP EPS guidance because the company is unable to predict with reasonable certainty the impact of legal proceedings, future business optimization actions, separation-related costs, integration-related costs, asset impairments and unusual gains and losses, and the related amounts are unavailable without unreasonable efforts (as specified in the exception provided by Item 10(e)(1)(i)(B) of Regulation S-K). In addition, Baxter believes that such reconciliations would imply a degree of precision and certainty that could be confusing to investors. Such items could have a substantial impact on GAAP measures of financial performance.