

BAXTER INTERNATIONAL INC.
Preliminary Condensed Consolidated Financial Information
For The Three Months Ended September 30, 2019
(unaudited, in millions)

NET SALES	\$2,851
GROSS MARGIN	\$1,230
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	\$627
RESEARCH AND DEVELOPMENT EXPENSES	\$144
OTHER OPERATING INCOME, NET	\$44
OPERATING INCOME	\$503

The following preliminary condensed consolidated financial information is prepared on a non-GAAP basis:

ADJUSTED GROSS MARGIN	\$1,303	A
ADJUSTED SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	\$614	A
ADJUSTED RESEARCH AND DEVELOPMENT EXPENSES	\$134	A
ADJUSTED OTHER OPERATING INCOME, NET	\$—	A
ADJUSTED OPERATING INCOME	\$555	A

Net sales by operating segment were:

AMERICAS	\$1,534
EMEA	730
APAC	587
TOTAL	<u>\$2,851</u>

Net sales by GBU for the three months ended September 30, 2019 was:

	<u>U.S.</u>	<u>International</u>	<u>Total</u>
RENAL CARE ¹	\$199	\$719	\$918
MEDICATION DELIVERY ²	461	240	701
PHARMACEUTICALS ³	223	304	527
CLINICAL NUTRITION ⁴	80	139	219
ADVANCED SURGERY ⁵	134	82	216
ACUTE THERAPIES ⁶	44	86	130
OTHER ⁷	83	57	140
TOTAL	<u>\$1,224</u>	<u>\$1,627</u>	<u>\$2,851</u>

SALES GROWTH - AS REPORTED	3%
SALES GROWTH - CONSTANT CURRENCY	5% A
SALES GROWTH - OPERATIONAL	5% A

- 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 primarily sales of contract manufacturing services from the company's pharmaceutical partnering business.

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.

^A Refer to page 10 for a description of the adjustments and a reconciliation to GAAP measures.

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

The following is a reconciliation of net sales growth as reported to operational sales growth for the three months ended September 30, 2019:

	<u>Net Sales as Reported</u>	<u>U.S. Cyclophosphamide</u>	<u>FX</u>	<u>Operational Sales</u>
Total	3%	0%	2%	5%

The following is a reconciliation of projected net sales growth as reported to projected operational sales growth for the three months ending December 31, 2019:

	<u>Net Sales as Reported</u>	<u>U.S. Cyclophosphamide</u>	<u>FX</u>	<u>Operational Sales</u>
Total	3% - 4%	0%	1% - 2%	5%

The company's GAAP results for the three months ended September 30, 2019 included special items which impacted the GAAP measures as follows:

	<u>Gross Margin</u>	<u>Selling, General and Administrative Expenses</u>	<u>Research and Development Expenses</u>	<u>Other Operating Income, net</u>	<u>Operating Income</u>
Reported	\$ 1,230	\$ 627	\$ 144	\$ (44)	\$ 503
Reported percent of net sales	43.1%	22.0%	5.1%	-1.5%	17.6%
Intangible asset amortization ¹	48	-	-	-	48
Business optimization items ²	10	(10)	(8)	-	28
Acquisition and integration expenses ³	8	(3)	(2)	-	13
European medical devices regulation ⁴	7	-	-	-	7
Insurance recoveries from a legacy product-related matter ⁵	-	-	-	4	(4)
Hurricane Maria insurance recoveries ⁶	-	-	-	40	(40)
Adjusted	\$ 1,303	\$ 614	\$ 134	\$ -	\$ 555
Adjusted percent of net sales	45.7%	21.5%	4.7%	0.0%	19.5%

¹ The company's results included intangible asset amortization expense of \$48 million.

² The company's results included charges of \$28 million associated with its execution of programs to optimize its global organization and cost structure.

³ The company's results included \$13 million of acquisition and integration expenses. This included integration expenses related to its acquisitions of Claris Injectables Limited and the RECOTHROM and PREVELEAK products in prior periods, as well as the 2019 acquisition of an in-process research and development asset.

⁴ The company's results included costs of \$7 million 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 will become effective in 2020.

⁵ The company's results included a benefit of \$4 million for its allocation of insurance proceeds received pursuant to a settlement and cost-sharing arrangement for a legacy-product related matter.

⁶ The company's results included a benefit of \$40 million related to insurance recoveries as a result of losses incurred due to Hurricane Maria.

The following is a reconciliation of projected operating margin as reported to projected adjusted operating margin for the three months ending December 31, 2019:

	<u>Operating Margin</u>
Reported	15.2% - 15.9%
Estimated intangible asset amortization	1.6%
Estimated business optimization items	0.6% - 0.8%
Estimated acquisition and integration expenses	0.4%
Estimated European medical devices regulation	0.3%
Estimated investigation costs	0.2%
Adjusted	18.5% - 19.0%

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.