

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Three Months Ended March 31, 2020 and 2019 (As Restated)
(unaudited)
(in millions, except per share and percentage data)

	Q1 2020	Q1 2019	Change
NET SALES	\$ 2,802	\$ 2,638	6 %
COST OF SALES	1,639	1,558	5 %
GROSS MARGIN	1,163	1,080	8 %
<i>% of Net Sales</i>	41.5 %	40.9 %	0.6 pts
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	628	601	4 %
<i>% of Net Sales</i>	22.4 %	22.8 %	(0.4 pts)
RESEARCH AND DEVELOPMENT EXPENSES	146	129	13 %
<i>% of Net Sales</i>	5.2 %	4.9 %	0.3 pts
OTHER OPERATING INCOME, NET	(20)	(33)	NM
OPERATING INCOME	409	383	7 %
<i>% of Net Sales</i>	14.6 %	14.5 %	0.1 pts
INTEREST EXPENSE, NET	21	18	17 %
OTHER (INCOME) EXPENSE, NET	10	(21)	NM
INCOME BEFORE INCOME TAXES	378	386	(2)%
INCOME TAX EXPENSE	45	44	2 %
<i>% of Income Before Income Taxes</i>	11.9 %	11.4 %	0.5 pts
NET INCOME	333	342	(3)%
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1	—	NM
NET INCOME ATTRIBUTABLE TO BAXTER STOCKHOLDERS	332	342	(3)%
EARNINGS PER SHARE			
Basic	\$ 0.65	\$ 0.67	(3)%
Diluted	\$ 0.64	\$ 0.66	(3)%
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING			
Basic	507	512	
Diluted	516	522	
ADJUSTED OPERATING INCOME (excluding special items)	\$ 528	^A \$ 449	^A 18 %
ADJUSTED INCOME BEFORE INCOME TAXES (excluding special items)	\$ 497	^A \$ 452	^A 10 %
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER STOCKHOLDERS (excluding special items)	\$ 425	^A \$ 394	^A 8 %
ADJUSTED DILUTED EPS (excluding special items)	\$ 0.82	^A \$ 0.75	^A 9 %

^A Refer to page 8 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
Three Months Ended March 31, 2020
(unaudited, in millions)

The company's U.S. GAAP results for the three months ended March 31, 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 Income, Net	Operating Income	Income Before Taxes	Income Tax Expense	Net Income	Net Income Attributable to Baxter Stockholders	Diluted Earnings Per Share
Reported	\$ 1,163	\$ 628	\$ 146	\$ (20)	\$ 409	\$ 378	\$ 45	\$ 333	\$ 332	\$ 0.64
Reported percent of net sales (or percent of income before taxes for income tax expense)	41.5 %	22.4 %	5.2 %	(0.7)%	14.6 %	13.5 %	11.9 %	11.9 %	11.8 %	
Intangible asset amortization ¹	52	—	—	—	52	52	11	41	41	0.08
Business optimization items ²	10	(21)	(1)	17	15	15	3	12	12	0.02
Acquisition and integration expenses ³	7	(3)	(21)	3	28	28	6	22	22	0.04
European medical devices regulation ⁴	6	—	—	—	6	6	2	4	4	0.01
Investigation and other related costs ⁵	3	(14)	(1)	—	18	18	4	14	14	0.03
Adjusted	\$ 1,241	\$ 590	\$ 123	\$ —	\$ 528	\$ 497	\$ 71	\$ 426	\$ 425	\$ 0.82
Adjusted percent of net sales (or adjusted percent of income before taxes for income tax expense)	44.3 %	21.1 %	4.4 %	— %	18.8 %	17.7 %	14.3 %	15.2 %	15.2 %	

The company's U.S. GAAP results for the three months ended March 31, 2019 included special items which impacted the U.S. GAAP measures as follows:

As Restated

	Gross Margin	Selling, General and Administrative Expenses	Research and Development Expenses	Other Operating Income, Net	Operating Income	Income Before Taxes	Income Tax Expense	Net Income	Net Income Attributable to Baxter Stockholders	Diluted Earnings Per Share
Reported	\$1,080	\$ 601	\$ 129	\$ (33)	\$ 383	\$ 386	\$ 44	\$ 342	\$ 342	\$ 0.66
Reported percent of net sales (or percent of income before taxes for income tax expense)	40.9 %	22.8 %	4.9 %	(1.3)%	14.5 %	14.6 %	11.4 %	13.0 %	13.0 %	
Intangible asset amortization ¹	43	—	—	—	43	43	10	33	33	0.06
Business optimization items ²	19	(8)	(11)	—	38	38	8	30	30	0.06
Acquisition and integration expenses ³	5	(5)	(4)	—	14	14	3	11	11	0.02
European medical devices regulation ⁴	4	—	—	—	4	4	1	3	3	0.00
Insurance recoveries from a legacy product-related matter ⁵	—	—	—	33	(33)	(33)	(8)	(25)	(25)	(0.05)
Adjusted	\$1,151	\$ 588	\$ 114	\$ —	\$ 449	\$ 452	\$ 58	\$ 394	\$ 394	\$ 0.75
Adjusted percent of net sales (or adjusted percent of income before taxes for income tax expense)	43.6 %	22.3 %	4.3 %	0.0 %	17.0 %	17.1 %	12.8 %	14.9 %	14.9 %	

¹ The company's results in 2020 and 2019 included intangible asset amortization expense of \$52 million (\$41 million, or \$0.08 per diluted share, on an after-tax basis) and \$43 million (\$33 million, or \$0.06 per diluted share, on an after-tax basis), respectively.

² The company's results in 2020 and 2019 included charges of \$32 million (\$29 million, or \$0.05 per diluted share, on an after-tax basis) and \$38 million (\$30 million, or \$0.06 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 2020 included \$28 million (\$22 million, or \$0.04 per diluted share, on an after-tax basis) of acquisition and integration expenses. This included 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. The company's results in 2019 included \$14 million (\$11 million, or \$0.02 per diluted share, on an after-tax basis) of acquisition and integration expenses. This included acquisition and integration expenses related to the company's acquisitions of Claris and the RECO THROM and PREVELEAK products in prior periods and the purchase of in-process R&D assets.

⁴ The company's results in 2020 and 2019 included costs of \$6 million (\$4 million, or \$0.01 per diluted share, on an after-tax basis) and \$4 million (\$3 million, or \$0.00 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 are scheduled to become effective in 2020.

⁵ The company's results in 2020 included costs of \$18 million (\$14 million, or \$0.03 per diluted share, on an after-tax basis) for investigation and related costs. This included costs related to the company's investigation of foreign exchange gains and losses associated with certain intra-company transactions. Additionally, the company recorded incremental stock compensation expense as it extended the terms of certain stock options that were scheduled to expire in the first quarter of 2020.

- ⁶ The company's results in 2019 included a benefit of \$33 million (\$25 million, or \$0.05 per diluted share, on an after-tax basis) related to its allocation of insurance proceeds received pursuant to a settlement and cost-sharing arrangement for a legacy product-related matter.

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

BAXTER INTERNATIONAL INC.
Sales by Operating Segment
Periods Ending March 31, 2020 and 2019 (As Restated)
(unaudited)
(\$ in millions)

	Q1 2020	Q1 2019	% Growth @ Actual Rates	% Growth @ Constant Rates
Americas	\$1,499	\$1,409	6 %	8 %
EMEA	754	707	7 %	10 %
APAC	549	522	5 %	9 %
Total Baxter	<u>\$2,802</u>	<u>\$2,638</u>	6 %	8 %

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

BAXTER INTERNATIONAL INC.
Sales by GBU
Periods Ending March 31, 2020 and 2019 (As Restated)
(unaudited)
(\$ in millions)

	Q1 2020	Q1 2019	% Growth @ Actual Rates	% Growth @ Constant Rates
Renal Care ¹	\$870	\$854	2 %	4 %
Medication Delivery ²	690	634	9 %	10 %
Pharmaceuticals ³	527	510	3 %	6 %
Clinical Nutrition ⁴	220	205	7 %	10 %
Advanced Surgery ⁵	224	199	13 %	14 %
Acute Therapies ⁶	156	129	21 %	23 %
Other ⁷	115	107	7 %	9 %
Total Baxter	<u>\$2,802</u>	<u>\$2,638</u>	6 %	8 %

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.

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

BAXTER INTERNATIONAL INC.
GBU Sales by U.S. and International
Periods Ending March 31, 2020 and 2019 (As Restated)
(unaudited)
(\$ in millions)

	Q1 2020			Q1 2019			% Growth		
	U.S.	International	Total	U.S.	International	Total	U.S.	International	Total
Renal Care	\$204	\$666	\$870	\$192	\$662	\$854	6 %	1 %	2 %
Medication Delivery	461	229	690	406	228	634	14 %	0 %	9 %
Pharmaceuticals	231	296	527	232	278	510	(0)%	6 %	3 %
Clinical Nutrition	82	138	220	77	128	205	6 %	8 %	7 %
Advanced Surgery	137	87	224	120	79	199	14 %	10 %	13 %
Acute Therapies	60	96	156	48	81	129	25 %	19 %	21 %
Other	42	73	115	45	62	107	(7)%	18 %	7 %
Total Baxter	\$1,217	\$1,585	\$2,802	\$1,120	\$1,518	\$2,638	9 %	4 %	6 %

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

	Q1 2020	Q1 2019 (As Restated)
Cash flows from operations - continuing operations	\$274	\$134
Capital expenditures	(172)	(193)
Free cash flow - continuing operations	\$102	(\$59)

Free cash flow is a non-GAAP measure. For more information on the company's use of non-GAAP financial measures in this press release, 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 As Reported to Operational Sales
From The Three Months Ended March 31, 2019 to The Three Months Ended March 31, 2020
(unaudited)

	Q1 2020*			
	Net Sales As Reported	Septrafilm	FX	Operational Sales
Renal Care	2 %	0 %	2 %	4 %
Medication Delivery	9 %	0 %	1 %	10 %
Pharmaceuticals	3 %	0 %	3 %	6 %
Clinical Nutrition	7 %	0 %	3 %	10 %
Advanced Surgery	13 %	(7)%	1 %	8 %
Acute Therapies	21 %	0 %	2 %	23 %
Other	7 %	0 %	2 %	9 %
Total Baxter	6 %	0 %	2 %	8 %
U.S.	9 %	(1)%	0 %	8 %
International	4 %	0 %	4 %	8 %

*Totals may not add across due to rounding

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