

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

	Three Months Ended March 31,		Change
	2021	2020	
NET SALES	\$ 2,946	\$ 2,802	5 %
COST OF SALES	1,801	1,639	10 %
GROSS MARGIN	1,145	1,163	(2)%
<i>% of Net Sales</i>	38.9 %	41.5 %	(2.6 pts)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	627	628	(0)%
<i>% of Net Sales</i>	21.3 %	22.4 %	(1.1 pts)
RESEARCH AND DEVELOPMENT EXPENSES	128	146	(12)%
<i>% of Net Sales</i>	4.3 %	5.2 %	(0.9 pts)
OTHER OPERATING INCOME, NET	—	(20)	NM
OPERATING INCOME	390	409	(5)%
<i>% of Net Sales</i>	13.2 %	14.6 %	(1.4 pts)
INTEREST EXPENSE, NET	34	21	62 %
OTHER EXPENSE, NET	5	10	(50)%
INCOME BEFORE INCOME TAXES	351	378	(7)%
INCOME TAX EXPENSE	51	45	13 %
<i>% of Income Before Income Taxes</i>	14.5 %	11.9 %	2.6 pts
NET INCOME	300	333	(10)%
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	2	1	100 %
NET INCOME ATTRIBUTABLE TO BAXTER STOCKHOLDERS	\$ 298	\$ 332	(10)%
EARNINGS PER SHARE			
Basic	\$ 0.59	\$ 0.65	(9)%
Diluted	\$ 0.58	\$ 0.64	(9)%
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING			
Basic	505	507	
Diluted	511	516	
ADJUSTED OPERATING INCOME (excluding special items)¹	\$ 501	\$ 528	(5)%
ADJUSTED INCOME BEFORE INCOME TAXES (excluding special items)¹	\$ 462	\$ 497	(7)%
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER STOCKHOLDERS (excluding special items)¹	\$ 386	\$ 425	(9)%
ADJUSTED DILUTED EPS (excluding special items)¹	\$ 0.76	\$ 0.82	(7)%

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, 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 ⁵	—	(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 %	

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 Income 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 income 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 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 income taxes for income tax expense)	44.3 %	21.1 %	4.4 %	0.0 %	18.8 %	17.7 %	14.3 %	15.2 %	15.2 %	

¹ The company's results in 2021 and 2020 included intangible asset amortization expense of \$64 million (\$52 million, or \$0.10 per diluted share, on an after-tax basis) and \$52 million (\$41 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 \$27 million (\$20 million, or \$0.04 per diluted share, on an after-tax basis) and \$32 million (\$29 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. Additionally, the company recorded a gain of \$17 million (\$17 million, or \$0.03 per diluted share, on an after-tax basis) in 2020 for property it sold in conjunction with its business optimization initiatives.

³ 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. 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.

⁴ The company's results in 2021 and 2020 included costs of \$8 million (\$6 million, or \$0.01 per diluted share, on an after-tax basis) and \$6 million (\$4 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 are scheduled to become effective in stages beginning in 2021.

⁵ 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 \$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 and related legal matters. The company also recorded a charge of \$9 million in the first quarter of 2021 for a proposed settlement of shareholder litigation related to that investigation. Additionally, the company recorded incremental stock compensation expense in 2020 as it extended the terms of certain stock options that were scheduled to expire in the first quarter of 2020.

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)

	Three Months Ended March		% Growth @ Actual Rates	% Growth @ Constant Rates
	2021	2020		
Americas	\$ 1,560	\$ 1,565	(0) %	(1) %
EMEA	738	688	7 %	0 %
APAC	648	549	18 %	8 %
Total Baxter	\$ 2,946	\$ 2,802	5 %	1 %

In the first quarter of 2021, the information provided to the company's Chief Executive Officer for purposes of allocating resources and assessing performance was updated to reallocate contracted services activities performed at a German manufacturing facility from the company's EMEA segment to its Americas segment. The contracted services performed at that facility are part of the company's BioPharma Solutions business, which is managed as part of the Americas segment. Accordingly, the reported financial results of the Americas segment now include the contracted services activities performed at that facility. Segment results for the first quarter of 2020 have been recast to conform to the current year presentation.

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)

	Three Months Ended March 31,		% Growth @ Actual Rates	% Growth @ Constant Rates
	2021	2020		
Renal Care ¹	\$ 922	\$ 870	6 %	2 %
Medication Delivery ²	652	678	(4) %	(6) %
Pharmaceuticals ³	552	516	7 %	1 %
Clinical Nutrition ⁴	234	217	8 %	3 %
Advanced Surgery ⁵	217	224	(3) %	(6) %
Acute Therapies ⁶	207	156	33 %	28 %
BioPharma Solutions ⁷	135	114	18 %	11 %
Other ⁸	27	27	0 %	(4) %
Total Baxter	\$ 2,946	\$ 2,802	5 %	1 %

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 other miscellaneous product and service offerings.

Beginning in the first quarter of 2021, the company's product category net sales disclosures separately present net sales from its BioPharma Solutions business, which was previously included within Other. Concurrent with that disaggregation of net sales from the company's BioPharma Solutions business, the company has also allocated certain previously unallocated sales deductions from Other to various categories, primarily based on their respective net sales. Net sales for the first quarter of 2020 have been recast to conform to the current year presentation.

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,								
	2021			2020			% Growth		
	U.S.	International	Total	U.S.	International	Total	U.S.	International	Total
Renal Care	\$ 216	\$ 706	\$ 922	\$ 204	\$ 666	\$ 870	6 %	6 %	6 %
Medication Delivery	411	241	652	449	229	678	(8)%	5 %	(4)%
Pharmaceuticals	200	352	552	220	296	516	(9)%	19 %	7 %
Clinical Nutrition	83	151	234	79	138	217	5 %	9 %	8 %
Advanced Surgery	126	91	217	137	87	224	(8)%	5 %	(3)%
Acute Therapies	81	126	207	60	96	156	35 %	31 %	33 %
BioPharma Solutions	44	91	135	48	66	114	(8)%	38 %	18 %
Other	19	8	27	20	7	27	(5)%	14 %	0 %
Total Baxter	\$ 1,180	\$ 1,766	\$ 2,946	\$ 1,217	\$ 1,585	\$ 2,802	(3)%	11 %	5 %

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

	Three Months Ended March 31,	
	2021	2020
Cash flows from operations - continuing operations	\$ 377	\$ 274
Capital expenditures	(171)	(172)
Free cash flow - continuing operations	\$ 206	\$ 102

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, 2020 to The Three Months Ended March 31, 2021
(unaudited)

	Net Sales Growth As Reported	Caelyx and Doxil	FX	Operational Sales Growth*
Renal Care	6 %	0 %	(4) %	2 %
Medication Delivery	(4) %	0 %	(2) %	(6) %
Pharmaceuticals	7 %	(3) %	(6) %	(2) %
Clinical Nutrition	8 %	0 %	(5) %	3 %
Advanced Surgery	(3) %	0 %	(3) %	(6) %
Acute Therapies	33 %	0 %	(5) %	28 %
BioPharma Solutions	18 %	0 %	(7) %	11 %
Other	0 %	0 %	(4) %	(4) %
Total Baxter	5 %	0 %	(4) %	1 %
U.S.	(3) %	0 %	0 %	(3) %
International	11 %	(1) %	(6) %	4 %

*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 Measure
Projected Second Quarter and Full Year 2021 U.S. GAAP Sales Growth to Projected Operational Sales Growth, and
Projected Second Quarter and Full Year 2021 U.S. GAAP Earnings Per Share to Projected Adjusted Earnings Per
Share
(unaudited)

Sales Growth Guidance	Q2 2021*	FY 2021*
Sales Growth - U.S. GAAP	14% - 15%	8% - 9%
OUS Caelyx and Doxil	(1)%	(1)%
Foreign exchange	(6)%	(3)%
Sales Growth - Operational	7% - 8%	4% - 5%

*Totals may not foot due to rounding

Earnings Per Share Guidance	Q2 2021*	FY 2021*
Earnings per Diluted Share - U.S. GAAP	\$0.54 - \$0.57	\$2.85 - \$2.93
Estimated intangible asset amortization	\$0.11	\$0.42
Estimated business optimization charges	\$0.01	\$0.06
Estimated acquisition and integration expenses	\$0.00	\$0.01
Estimated investigation and related costs	\$0.00	\$0.03
Estimated European medical devices regulation costs	\$0.02	\$0.06
Estimated income tax matter	\$0.04	\$0.04
Earnings per Diluted Share - Adjusted	\$0.72 - \$0.75	\$3.47 - \$3.55

*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 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.