Baxter

First-Quarter 2020 Earnings

Baxter International Inc.

April 30, 2020

Forward-Looking Statements

This presentation includes forward-looking statements concerning Baxter's financial results, business development activities, capital structure, cost savings initiatives, R&D pipeline, including results of clinical trials and planned product launches. These forward-looking statements are based on assumptions about many important factors, including the following, which could cause actual results to differ materially from those in the forward-looking statements: demand for and market acceptance of risks for new and existing products; product development risks; product quality or patient safety concerns; continuity, availability and pricing of acceptable raw materials and component supply; inability to create additional production capacity in a timely manner or the occurrence of other manufacturing or supply difficulties (including as a result of a natural disaster, public health crises and epidemics/pandemics, regulatory actions or otherwise); the impact of global economic conditions (including potential trade wars) and public health crises and epidemics, such as the novel strain of coronavirus (COVID-19), on us and our customers and suppliers, including foreign governments in countries in which we operate; breaches or failures of the company's information technology systems or products, including by cyberattack, unauthorized access or theft; the adequacy of the company's cash flows from operations (which may be negatively impacted by collectability concerns as a result of the COVID-19 pandemic or otherwise) and other sources of liquidity to meet its ongoing cash obligations and fund its investment program; loss of key employees or inability to identify and recruit new employees; future actions of regulatory bodies and other governmental authorities, including the FDA, the Department of Justice, the SEC, the New York Attorney General and foreign regulatory agencies, including the continued delay in lifting the warning letter at our Ahmedabad facility or proceedings related to the investigation related to foreign exchange gains and losses; the outcome of pending or future litigation, including the opioid litigation and litigation related to our internal investigation of foreign exchange gains and losses; the impacts of the material weakness identified as a result of the internal investigation and our remediation efforts, including the risk that we may experience additional material weaknesses or other deficiencies; proposed regulatory changes of the U.S. Department of Health and Human Services in kidney health policy and reimbursement, which may substantially change the U.S. end stage renal disease market and demand for our peritoneal dialysis products, necessitating significant multi-year capital expenditures, which are difficult to estimate in advance; failures with respect to compliance programs; accurate identification of and execution on business development and R&D opportunities and realization of anticipated benefits (including the acquisitions of Cheetah Medical and Seprafilm Adhesion Barrier from Sanofi); future actions of third parties, including payers; U.S. healthcare reform and other global austerity measures; pricing, reimbursement, taxation and rebate policies of government agencies and private payers; the impact of competitive products and pricing, including generic competition, drug reimportation and disruptive technologies; fluctuations in foreign exchange and interest rates; the ability to enforce owned or in-licensed patents or the prevention or restriction of the manufacture, sale or use of products or technology affected by patents of third parties; global, trade and tax policies; any change in laws concerning the taxation of income (including current or future tax reform), including income earned outside the United States and potential taxes associated with the Base Erosion and Anti-Abuse Tax; actions taken by tax authorities in connection with ongoing tax audits; and other risks identified in Baxter's most recent filing on Form 10-K and other SEC filings, all of which are available on Baxter's website. Baxter does not undertake to update its forward-looking statements unless otherwise required by the federal securities laws.

Use of Non-GAAP Financial Measures

To supplement Baxter's consolidated financial statements presented on a U.S. GAAP basis, the Company discloses certain non-GAAP financial measures. These non-GAAP financial measures are not in accordance with generally accepted accounting principles in the United States.

A reconciliation of the non-GAAP financial measures included in this document to the corresponding U.S. GAAP measures follows in the section titled Non-GAAP Reconciliations. In addition, an explanation of the ways in which Baxter management uses these supplemental non-GAAP measures to evaluate its business and the substantive reasons why Baxter management believes that these non-GAAP measures provide useful information to investors is included in the Company's most recent earnings release filed with the SEC on Form 8-K on April 30, 2020. This information should be considered in addition to, and not as substitutes for, information prepared in accordance with U.S. GAAP.

Baxter strongly encourages investors to review its consolidated financial statements and publicly filed reports in their entirety and cautions investors that the non-GAAP measures used by the Company may differ from similar measures used by other companies, even when similar terms are used to identify such measures.

Non-GAAP financial measures used in this presentation include constant currency and operational sales growth, adjusted gross margin, adjusted operating margin, adjusted diluted EPS, free cash flow, adjusted SG&A expense, and adjusted R&D expense. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com.

Top Quartile Goals

- Patient safety and Quality
- Best place to work
- Growth through innovation
- Industry leading performance

Our Strategy

Strengthen our portfolio and extend our impact through transformative innovation that spans prevention to recovery

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Performance Highlights

First-Quarter 2020

$2.8B
Sales

+6% Reported
+8% Constant Currency[1]
+8% Operational[2]

Key Metrics	U.S. GAAP	Adjusted[3]
Gross Margin	**41.5%**	**44.3%**
YOY Change	*+60 bps*	*+70 bps*
Operating Margin	**14.6%**	**18.8%**
YOY Change	*+10 bps*	*+180 bps*
Earnings Per Share	**$0.64**	**$0.82**
YOY Change	*(3%)*	*+9%*

[1]Excludes the impact of foreign exchange. [2]Excludes the impact of foreign exchange and the acquisition of Seprafilm. [3]Non-GAAP financial metrics referenced in this slide include constant currency sales growth and operational sales growth, adjusted gross margin, adjusted operating margin, and adjusted diluted EPS. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com.

Executing On Our Strategy
Recent Highlights

Building Momentum With Strong Focus On Operational Performance[1]

- Delivered 8% operational sales growth in Q1, driven by underlying business strength and increased demand for select products related to COVID-19 pandemic
- Adjusted diluted EPS growth of 9% in Q1 reflects solid operational performance and value of Baxter's medically essential portfolio

Investing In Growth Opportunities And Executing On A Robust Pipeline Of Launches

- Received U.S. FDA emergency use authorization (EUA) for Oxiris filter set[2,3]
- Launched new generation of Peri-Strips Dry with Veritas Collagen Matrix (PSDV) surgical product with "peel and secure" technology[2]
- Acquired toSense, a technology company focused on sensors and software for broad applications in non-invasive patient monitoring
- Signed partnership with MedAware, supporting development of Baxter's next-generation infusion pump dose error reduction software
- Continued integration of Cheetah Medical and Seprafilm assets acquired in Q4 2019 and Q1 2020, respectively[2]

Delivering Enhanced Value For Shareholders

- Prioritizing reinvestment in business and maintaining balance sheet flexibility in dynamic environment
- Announced quarterly dividend of $0.22 per share, reflecting strong financial position and commitment to driving value for investors

Providing Front-Line Support And Protecting Employee Well-Being In Light Of COVID-19 Pandemic

- Responding to surging demand for products related to COVID-19 patient care by maximizing production levels and optimizing supply chain
- Staged pandemic response plan active across all facilities globally, including significant protective measures for employees
- Providing more than $2 million in financial support for humanitarian relief organizations on the front line of the pandemic

Responding To Global Healthcare Crisis While Advancing Our Strategic Priorities In Line With Our Mission To Save And Sustain Lives

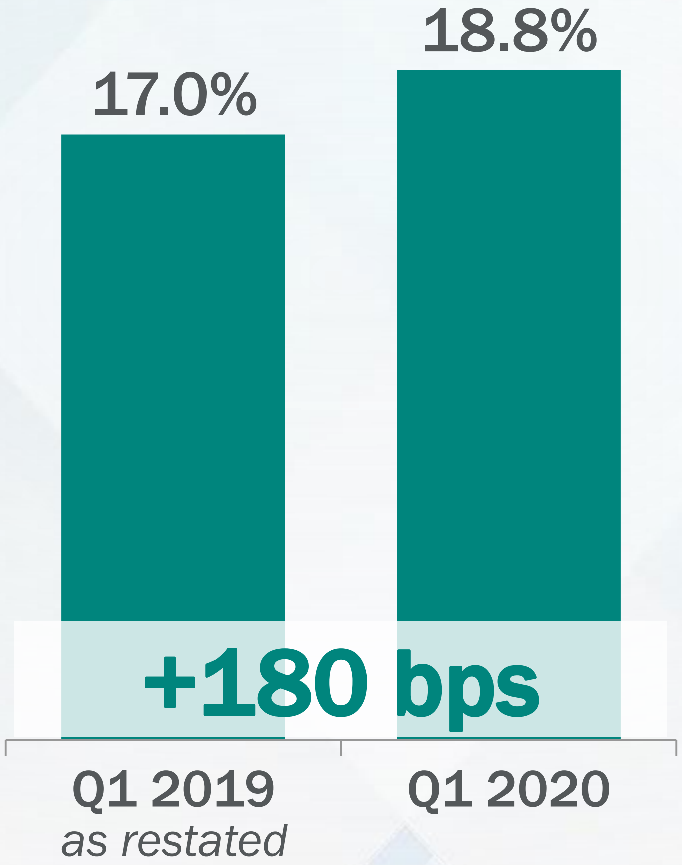
[1]Non-GAAP financial metrics referenced in this slide include operational sales growth and adjusted diluted EPS growth. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com. [2]See www.baxter.com for original press releases with additional product information. [3]The FDA has not cleared or approved the Oxiris filter set; rather, the EUA authorizes the use of Oxiris during the COVID-19 pandemic.

Continuing Momentum Of Key Financial Metrics

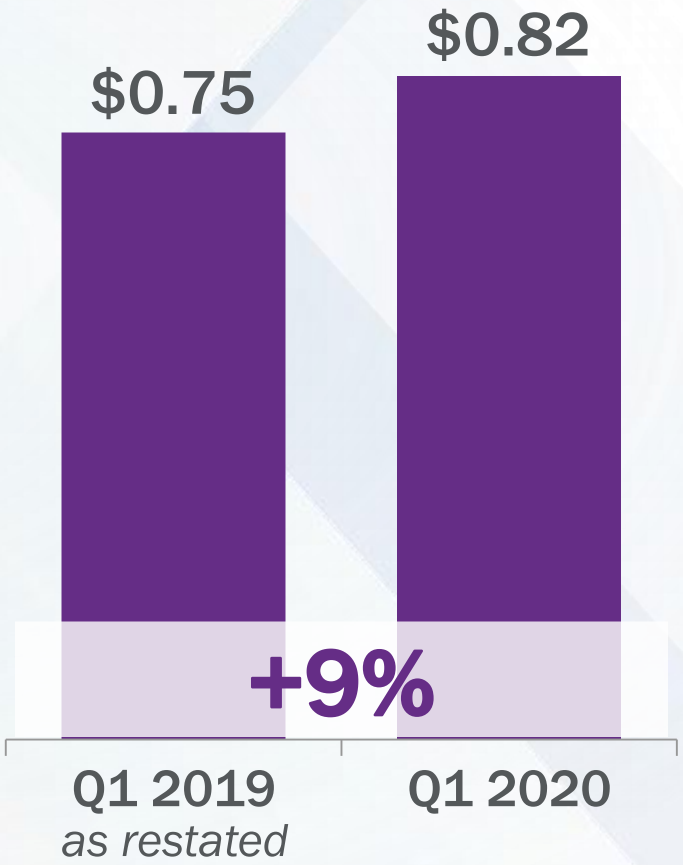
First-Quarter 2020 Snapshot[1]

Global Reported Sales

Adjusted Operating Margin



Adjusted Diluted EPS



[1]Non-GAAP financial metrics referenced in this slide include operational sales growth, adjusted operating margin, and adjusted diluted EPS. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com. [2]Q1 2020 operational sales growth excludes the impact of foreign exchange of approximately (2%) and Seprafilm acquisition impact of approximately 0%; U.S. GAAP sales growth for the period was approximately 6% compared to Q1 2019.

First-Quarter 2020 Performance[1]

Metric	Q1 2020 *Guidance*	Q1 2020 *Actual*
Sales Growth *Reported*	4% - 5%	+6%
Sales Growth *Constant Currency*	5% - 6%	+8%
Sales Growth *Operational*	5% - 6%	+8%
Adjusted Diluted EPS *Growth vs. Prior-Year Period*	$0.72 - $0.74 (4%) – (1%)	$0.82 +9%

Strong Q1 Results Reflect ~$45M Revenue Contribution From Heightened Demand For Medically Essential Portfolio During COVID-19 Pandemic

[1]Non-GAAP financial metrics referenced in this slide include constant currency sales growth, operational sales growth, and adjusted diluted EPS. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com.

Front-Line Response To COVID-19 Pandemic[1]

Increasing Product Supply And Distribution

- Boosting capacity and maximizing production to address surges in demand for certain products
- Increased air freight capacity to fly critically needed products via "airbridge" between U.S. and Europe
- Utilizing specific, informed criteria to allocate products to where they are needed the most
- Received U.S. FDA EUA[2] for Oxiris filter set

Supporting Extraordinary Efforts Of Employees

- Executing on staged pandemic response plan to protect employee safety globally
- Instituting a special pandemic incentive in recognition of front-line worker efforts
- Implementing volunteerism program to enable medically trained employees to take a leave of absence for serving communities

Expanding Employment Opportunities

- Actively recruiting up to 2,000 new permanent and temporary positions globally, 800 of which are in the U.S., to help augment production across facilities

Donating To Humanitarian Relief

- Providing over $2 million in financial support for humanitarian relief organizations on the front lines of pandemic globally

Committed To Supporting The Healthcare System, Our Employees, And Our Communities During This Unprecedented Time

[1]See www.baxter.com for original press releases with additional information regarding COVID-19 response efforts. [2]Emergency Use Authorization. The FDA has not cleared or approved the Oxiris filter set; rather, the EUA authorizes the use of Oxiris during the COVID-19 pandemic.

Meeting Increased Demand For Durable Portfolio

First-Quarter 2020 Business Drivers[1,2]

Renal Care

$870M, +4% Constant Currency

Q1 2020 COVID-19 Impact: $5M - $10M

PD therapies HSD[3] growth benefitting from accelerated supply deliveries in China related to COVID-19; partially offset by lower in-center HD sales related to Revaclear dialyzer supply constraints

Medication Delivery

$690M, +10% Constant Currency

Q1 2020 COVID-19 Impact: ~$15M

Strong execution on Spectrum IQ and EVO IQ infusion pump placements globally; increased demand for IV Solutions and Mini-Bag Plus related to COVID-19

Pharmaceuticals

$527M, +6% Constant Currency

Q1 2020 COVID-19 Impact: >$10M

Growth in generic injectables, international pharmacy compounding, and U.S. cyclophosphamide partially offset by lower sales of anesthesia and TDS[4]

Clinical Nutrition

$220M, +10% Constant Currency

Q1 2020 COVID-19 Impact: $5M - $10M

Solid commercial performance enhanced by increased utilization for COVID-19 patients in the intensive care unit

Advanced Surgery

$224M, +14% Constant Currency

Q1 2020 COVID-19 Impact: (~$10M)

Demand for hemostats and sealants driving growth supplemented by Seprafilm acquisition; performance offset by elective surgery declines in late March

Acute Therapies

$156M, +23% Constant Currency

Q1 2020 COVID-19 Impact: ~10 ppt of growth

Surging global demand for CRRT[5] for treating patients with acute kidney injury (AKI) and other conditions

[1]Sales and related figures represent Q1 2020; Other sales represent ~$0.1B. [2]Non-GAAP financial metrics referenced in this slide include constant currency sales growth. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com. [3]High Single Digit. [4]Transderm Scop. [5]Continuous Renal Replacement Therapy.

Financial Results

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First-Quarter 2020 Sales By Global Business Unit[1]

	Q1 2020 Revenue			Total Growth		
$ In Millions	U.S.	International	Total	Reported	Constant	Operational
Renal Care	$204	$666	$870	+2%	+4%	+4%
Medication Delivery	$461	$229	$690	+9%	+10%	+10%
Pharmaceuticals	$231	$296	$527	+3%	+6%	+6%
Clinical Nutrition	$82	$138	$220	+7%	+10%	+10%
Advanced Surgery	$137	$87	$224	+13%	+14%	+8%
Acute Therapies	$60	$96	$156	+21%	+23%	+23%
Other	$42	$73	$115	+7%	+9%	+9%
Total Baxter	**$1,217**	**$1,585**	**$2,802**	**+6%**	**+8%**	**+8%**

[1]Non-GAAP financial metrics referenced in this slide include constant currency sales growth and operational sales growth. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com.

First-Quarter 2020 Sales By Operating Segment[1]

	Q1 2020 Revenue	Total Growth		
$ In Millions	Reported	Reported	Constant	Operational
Americas (North and South America)	$1,499	+6%	+8%	+7%
EMEA (Europe, Middle East and Africa)	$754	+7%	+10%	+10%
APAC (Asia Pacific)	$549	+5%	+9%	+8%
Total Baxter	$2,802	+6%	+8%	+8%

Baxter

[1]Non-GAAP financial metrics referenced in this slide include constant currency sales growth and operational sales growth. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com.

First-Quarter 2020 Adjusted Financial Results[1]

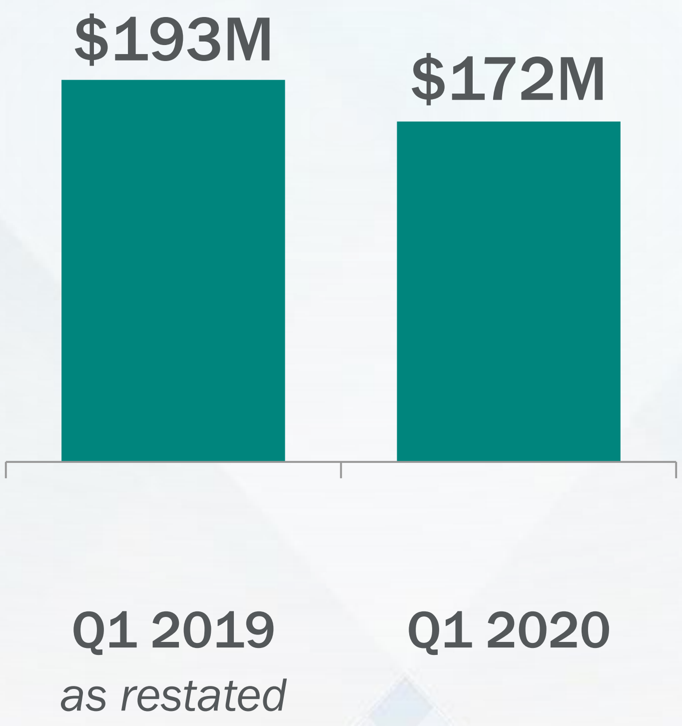
	Q1 2019 *as restated*	Q1 2020	Change
Adjusted Gross Margin	43.6%	44.3%	+70 bps
Adjusted SG&A Expense (% of Sales)	22.3%	21.1%	(120 bps)
Adjusted R&D Expense (% of Sales)	4.3%	4.4%	+10 bps
Adjusted Operating Margin	17.0%	18.8%	+180 bps
Adjusted Diluted EPS	$0.75	$0.82	+9%

[1]Non-GAAP financial metrics referenced in this slide include adjusted gross margin, adjusted SG&A expense, adjusted R&D expense, adjusted operating margin, and adjusted diluted EPS. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com.

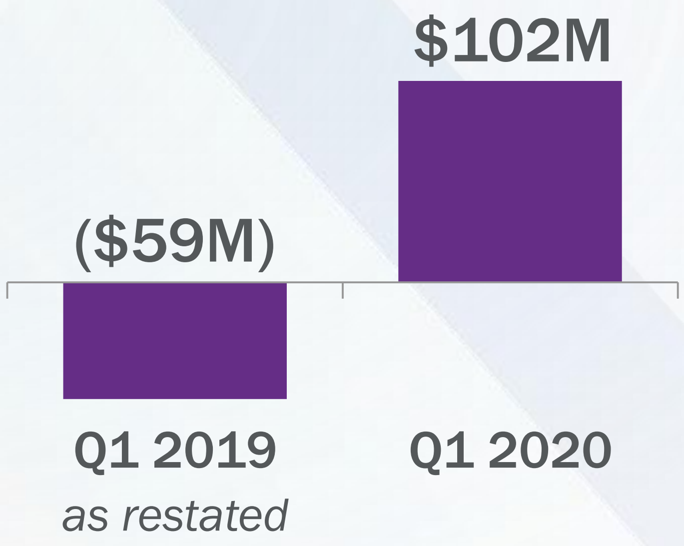
Maintaining Focus On Cash Flow Generation[1]

Operating Cash Flow[2]

Capital Expenditures



Free Cash Flow[3]



[1]Non-GAAP financial metrics referenced in this slide include free cash flow. A reconciliation to comparable GAAP measures can be found herein and is available at www.baxter.com.
[2]From continuing operations. [3]Operating cash flow from continuing operations less capital expenditures.

Prioritizing Financial Flexibility While Driving Value For Shareholders

Reinvestment in Business
Meeting the needs of patients and providers globally while continuing to invest in long-term innovation and accelerated launch cadence

Continued Dividend Issuance
Announced quarterly dividend of $0.22 per share, reflecting commitment to delivering value to shareholders; continuing to target ~35% dividend payout ratio over time

Suspended Share Repurchase Program
Temporarily suspended share repurchase program to drive further financial flexibility in the current market, with ~$900 million remaining in share repurchase authorization as of March 31, 2020

Strategic Business Development
Focusing investments on strategic opportunities to augment current portfolio and position the company for future success

Enhanced Liquidity
Recent long-term debt offering further bolstering strong cash position; $4.1 billion of cash and cash equivalents on hand as of March 31, 2020, with access to $2.0 billion in revolving credit if necessary

Strong Balance Sheet Positioning Baxter For Sustained Durability In Dynamic Market Environment

Non-GAAP Reconciliations

First-Quarter 2020 Earnings

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Non-GAAP Reconciliation as of April 30, 2020

Non-GAAP Reconciliations:

As part of its Q1 2020 earnings announcement on April 30, 2020, Baxter presented its financial results for the first quarter of 2020. In these presentations, Baxter used non-GAAP financial measures of sales growth (on a constant currency and operational basis), adjusted gross margin, adjusted selling, general and administrative expense, adjusted research and development expense, adjusted operating income, adjusted operating margin, adjusted diluted earnings per share, and free cash flow. The reconciliations set forth below reconcile the non-GAAP measures set forth in this presentation for historical periods to the most directly comparable U.S. GAAP measures.

Description of Adjustments and Reconciliation of U.S. GAAP to Non-GAAP Measures

Three Months Ended March 31, 2020 and 2019

(unaudited)
(in millions, except per share and percentage data)

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%	0.0%	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[6]	-	-	-	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%	

Description of Adjustments and Reconciliation of U.S. GAAP to Non-GAAP Measures

Three Months Ended March 31, 2020 and 2019

(unaudited)

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 RECOTHROM 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.

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)

Sales By Global Business Unit:

	Q1 2020*			
	Net Sales As Reported	Seprafilm	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

Sales By Operating Segment:

	Q1 2020*			
	Net Sales As Reported	Seprafilm	FX	Operational Sales
Americas	6%	(1%)	2%	7%
EMEA	7%	0%	3%	10%
APAC	5%	(1%)	4%	8%
Total Baxter	**6%**	**0%**	**2%**	**8%**

*Totals may 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 presentation, please see the company's Current Report on Form 8-K filed with the Securities and Exchange Commission on the date of this presentation.

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