Second-Quarter 2020 Earnings

Baxter International Inc.

July 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, and outlook for full-year 2020. 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 (including the impact of reduced hospital admission rates and elective surgery volumes); 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), including any potential resurgence, 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 (as a result of increased remote working arrangements or otherwise); 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 July 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 selling, general, and administrative (SG&A) expense, and adjusted research and development (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

Second-Quarter 2020

$2.7B Sales

(4%) Reported
(1%) Constant Currency[1]
(2%) Operational[2]

Key Metrics	GAAP	Adjusted[3]
Gross Margin	38.2%	41.6%
YOY Change	*(250 bps)*	*(280 bps)*
Operating Margin	12.2%	16.0%
YOY Change	*(20 bps)*	*(190 bps)*
Earnings Per Share	$0.48	$0.64
YOY Change	*(20%)*	*(24%)*

First-Half 2020

$5.5B Sales

+1% Reported
+3% Constant Currency[1]
+3% Operational[2]

Key Metrics	GAAP	Adjusted[3]
Gross Margin	39.9%	43.0%
YOY Change	*(90 bps)*	*(100 bps)*
Operating Margin	13.4%	17.5%
YOY Change	*Flat*	*Flat*
Earnings Per Share	$1.12	$1.46
YOY Change	*(11%)*	*(9%)*

[1]Excludes the impact of foreign exchange. [2]Operational sales growth excludes the impact of foreign exchange and the Seprafilm acquisition. [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

Demonstrating Underlying Portfolio Resilience In Dynamic Environment[1]

- Operational sales decline of (2%) in Q2 represents durability despite >$180 million net negative impact on total sales related to COVID-19
- Adjusted diluted EPS decline of (24%) in Q2 reflects lower sales in higher-margin businesses, incremental COVID-related operations and logistical expenses, higher interest expense, and a higher tax rate

Investing In Growth Opportunities And Executing On A Robust Pipeline Of Launches[2]

- Announced CE marking in Europe and regulatory approval from Australia's Therapeutic Goods Administration (TGA) for the Evo IQ Syringe Infusion System
- Received U.S. Food and Drug Administration (FDA) clearance of Altapore Shape Bioactive Bone Graft
- Announced results of the FRESH[3] study using the Starling Fluid Management Monitoring System

Delivering Enhanced Value For Shareholders

- Prioritizing reinvestment in business and maintaining balance sheet flexibility in dynamic environment
- Increased quarterly dividend by 11%, reflecting strong financial position and commitment to driving value for investors

Creating A Best Place To Work And Demonstrating Leadership In Corporate Social Responsibility

- Issued annual Corporate Responsibility Report, highlighting Baxter's corporate citizenship priorities and efforts in 2019
- Ranked in the top 10% on Disability:In's Disability Equality Index; Named to 3BL Media's list of 100 Best Corporate Citizens for 2020; Recognized by Forbes as a Best Employer for Women in 2020

Driving Our Strategy And Culture Forward While Meeting The Needs Of Patients And Providers In Ongoing Battle Against COVID-19

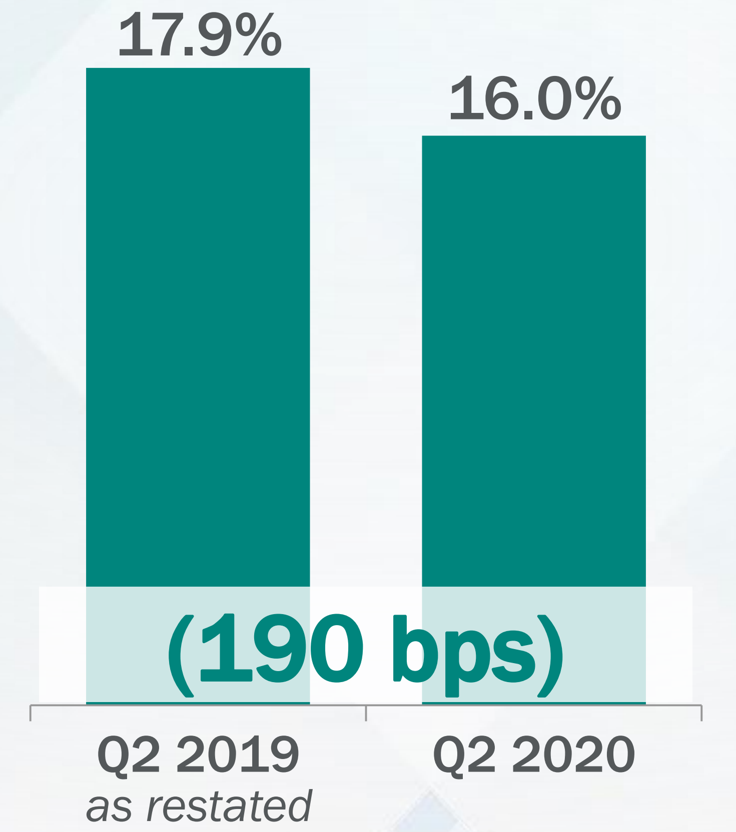
[1]Non-GAAP financial metrics referenced in this slide include operational sales growth and adjusted diluted EPS growth. A reconciliation to comparable U.S. GAAP measures can be found herein and is available at www.baxter.com. [2]See www.baxter.com for original press releases with additional product information. [3]Fluid Response Evaluation in Sepsis Hypotension and Shock.

Key Financial Metrics

Second-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]Q2 2020 operational sales growth excludes the impact of foreign exchange of approximately (3%) and the Seprafilm acquisition impact of approximately 1%; U.S. GAAP sales growth for the period was approximately (4%) compared to Q2 2019.

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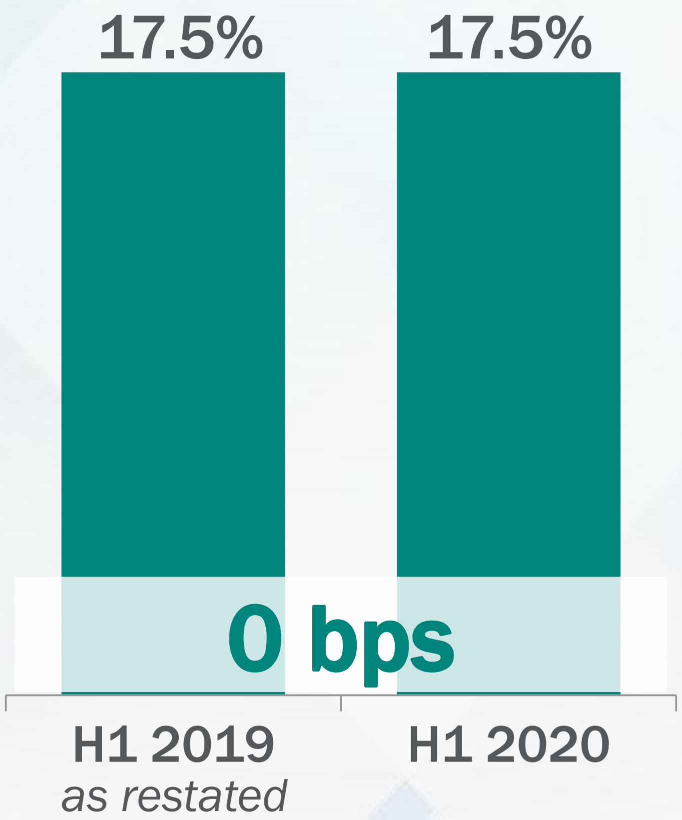
Key Financial Metrics

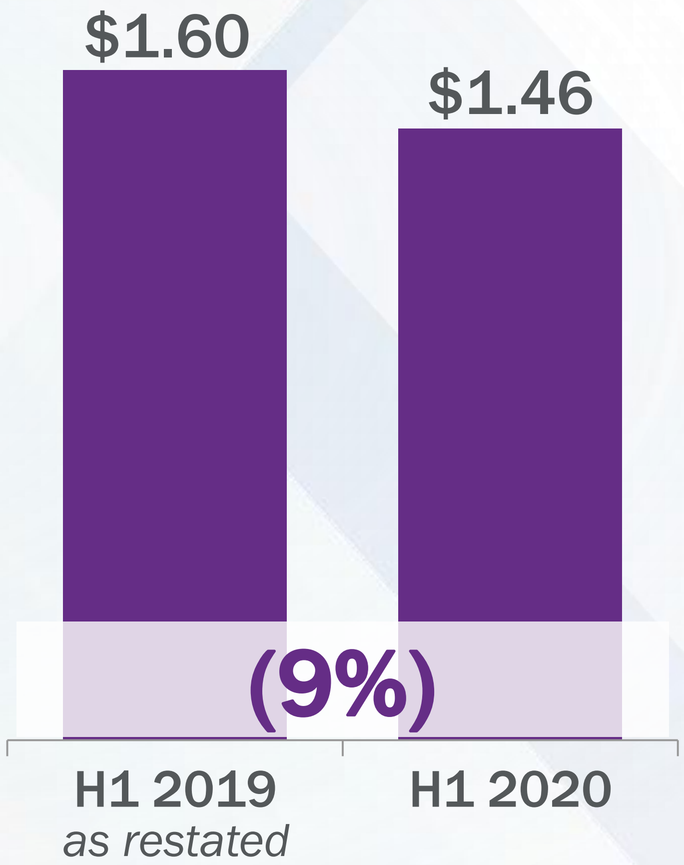
First-Half 2020 Snapshot[1]

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]H1 2020 operational sales growth excludes the impact of foreign exchange of approximately (2%) and the Seprafilm acquisition impact of approximately 1%; U.S. GAAP sales growth for the period was approximately 1% compared to H1 2019.

Navigating COVID-19 Impact On Diverse Portfolio

Second-Quarter 2020 Business Drivers[1,2]

Renal Care

$919M, +5% Constant Currency

Increased global patient volumes driving MSD[3] growth in PD therapies; return to MSD growth in HD with anniversary of Revaclear dialyzer constraint impact

Medication Delivery

$612M, (9%) Constant Currency

Strong execution on global infusion pump placements offset by COVID-19 negative impact on IV therapies and infusion pump sets and access utilization

Pharmaceuticals

$485M, (7%) Constant Currency

Lower sales of anesthesia and TDS[4] partially offset by growth in international pharmacy compounding and certain generic injectables

Clinical Nutrition

$219M, +5% Constant Currency

Benefit from timing of orders and continued roll out of new products internationally partially offset by LSD[5] declines in the U.S.

Advanced Surgery

$168M, (27%) Constant Currency

Elective procedure declines offsetting continued benefits from the Seprafilm acquisition

Acute Therapies

$186M, +45% Constant Currency

Surging global demand for CRRT[6], the preferred option for treating patients with acute kidney injury (AKI)

Surging Demand In Acute Therapies And Solid Growth In Renal Care And Clinical Nutrition Offset By >$180M, Net In Sales Downside Related To COVID-19

[1]Sales and related figures represent Q2 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]Mid Single Digit. [4]Transderm Scop. [5]Low Single Digit. [6]Continuous Renal Replacement Therapy.

Financial Results

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

$ In Millions	Q2 2020 Revenue			Total Growth		
	U.S.	International	Total	Reported	Constant	Operational
Renal Care	$209	$710	$919	+1%	+5%	+5%
Medication Delivery	$401	$211	$612	(11%)	(9%)	(9%)
Pharmaceuticals	$212	$273	$485	(10%)	(7%)	(7%)
Clinical Nutrition	$78	$141	$219	+2%	+5%	+5%
Advanced Surgery	$94	$74	$168	(27%)	(27%)	(37%)
Acute Therapies	$72	$114	$186	+41%	+45%	+45%
Other	$61	$68	$129	+6%	+7%	+7%
Total Baxter	**$1,127**	**$1,591**	**$2,718**	**(4%)**	**(1%)**	**(2%)**

[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-Half 2020 Sales By Global Business Unit[1]

$ In Millions	H1 2020 Revenue U.S.	H1 2020 Revenue International	H1 2020 Revenue Total	Total Growth Reported	Total Growth Constant	Total Growth Operational
Renal Care	$413	$1,376	$1,789	+2%	+5%	+5%
Medication Delivery	$862	$440	$1,302	(2%)	0%	0%
Pharmaceuticals	$443	$569	$1,012	(3%)	(1%)	(1%)
Clinical Nutrition	$160	$279	$439	+5%	+7%	+7%
Advanced Surgery	$231	$161	$392	(9%)	(8%)	(16%)
Acute Therapies	$132	$210	$342	+31%	+34%	+34%
Other	$103	$141	$244	+7%	+8%	+8%
Total Baxter	**$2,344**	**$3,176**	**$5,520**	**+1%**	**+3%**	**+3%**

[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.

Second-Quarter 2020 Sales By Operating Segment[1]

$ In Millions	Q2 2020 Revenue	Total Growth		
	Reported	Reported	Constant	Operational
Americas (North and South America)	$1,407	(7%)	(5%)	(6%)
EMEA (Europe, Middle East and Africa)	$731	(1%)	+1%	+1%
APAC (Asia Pacific)	$580	+1%	+5%	+3%
Total Baxter	**$2,718**	**(4%)**	**(1%)**	**(2%)**

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[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-Half 2020 Sales By Operating Segment[1]

$ In Millions	H1 2020 Revenue	Total Growth		
	Reported	Reported	Constant	Operational
Americas (North and South America)	$2,906	(1%)	+1%	0%
EMEA (Europe, Middle East and Africa)	$1,485	+2%	+5%	+5%
APAC (Asia Pacific)	$1,129	+3%	+7%	+5%
Total Baxter	**$5,520**	**+1%**	**+3%**	**+3%**

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[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.

Second-Quarter 2020 Adjusted Financial Results[1]

	Q2 2019 *as restated*	Q2 2020	Change
Adjusted Gross Margin	44.4%	41.6%	(280 bps)
Adjusted SG&A Expense (% of Sales)	21.5%	21.2%	(30 bps)
Adjusted R&D Expense (% of Sales)	5.0%	4.3%	(70 bps)
Adjusted Operating Margin	17.9%	16.0%	(190 bps)
Adjusted Diluted EPS	$0.84	$0.64	(24%)

[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.

First-Half 2020 Adjusted Financial Results[1]

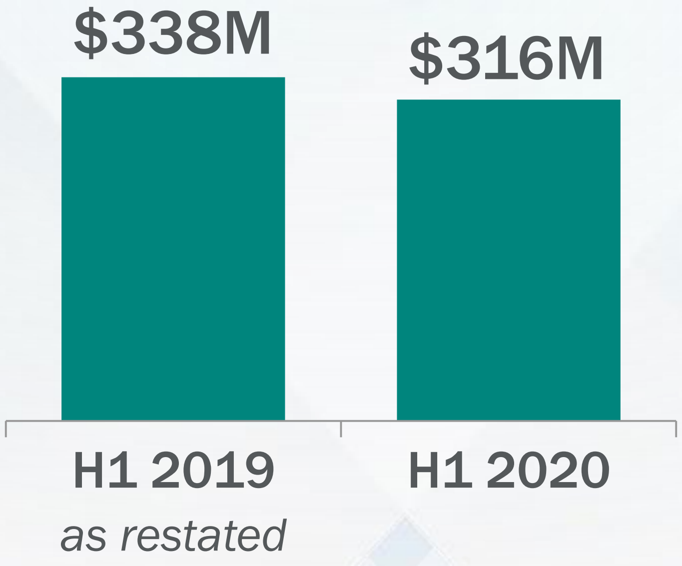
	H1 2019 *as restated*	H1 2020	Change
Adjusted Gross Margin	44.0%	43.0%	(100 bps)
Adjusted SG&A Expense (% of Sales)	21.9%	21.1%	(80 bps)
Adjusted R&D Expense (% of Sales)	4.7%	4.4%	(30 bps)
Adjusted Operating Margin	17.5%	17.5%	Flat
Adjusted Diluted EPS	$1.60	$1.46	(9%)

[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.

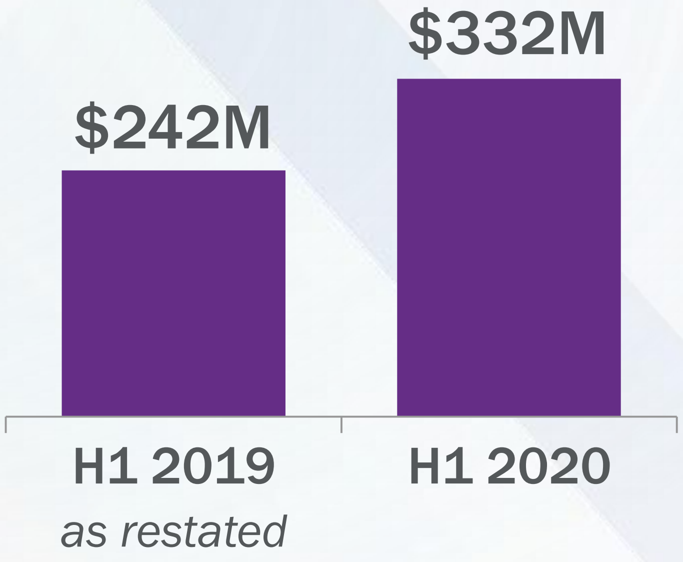
Maintaining Focus On Cash Flow Generation[1]

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 U.S. 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

Increased Dividend
Announced ~11% increase of quarterly dividend to $0.245 per share; 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

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

Enhanced Liquidity
~$4.1 billion of cash and cash equivalents as of June 30, 2020 with access to $2.0 billion and €200 million in revolving credit if necessary

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

Full-Year 2020 Outlook

Second-Quarter 2020 Earnings

July 30, 2020

Full-Year 2020 Guidance[1,2]

	Full-Year 2020 *Guidance*
Sales Growth *Reported*	**(1%) – 1%**
Foreign Exchange	↑ <200 bps
Sales Growth *Constant Currency*	**Flat To LSD Increase**
Seprafilm Acquisition	↓ <100 bps
Sales Growth *Operational*	**Flat To LSD Increase**
Adjusted Diluted EPS *Growth vs. Prior-Year Period*	**$3.00 - $3.10** *(9%) – (6%)*

[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. [2]The financial outlook set forth on this slide assumes, among other things, a sequential improvement on a quarterly basis in both hospital admissions and surgical volumes, although still below prior-year levels.

Non-GAAP Reconciliations

Second-Quarter 2020 Earnings

July 30, 2020

Non-GAAP Reconciliation as of June 30, 2020

Non-GAAP Reconciliations:

As part of its Q2 2020 earnings announcement on July 30, 2020, Baxter presented its financial results for the second quarter of 2020 and the related year-to-date period. Baxter also presented guidance for FY 2020. In these presentations, Baxter used non-GAAP financial measures of sales growth (on a constant currency and operational basis), adjusted gross margin, adjusted SG&A expense, adjusted R&D 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 in this presentation 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 June 30, 2020 and 2019

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

The company's U.S. GAAP results for the three months ended June 30, 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	$ 1,038	$ 590	$ 117	$ -	$ 331	$ 289	$ 42	$ 247	$ 246	$0.48
Reported percent of net sales (or percent of income before taxes for income tax expense)	38.2%	21.7%	4.3%	-%	12.2%	10.6%	14.5%	9.1%	9.1%	
Intangible asset amortization[1]	56	-	-	-	56	56	12	44	44	0.09
Business optimization items[2]	8	(7)	2	-	13	13	2	11	11	0.02
Acquisition and integration expenses[3]	4	(4)	(1)	-	9	9	2	7	7	0.01
European medical devices regulation[4]	8	-	-	-	8	8	2	6	6	0.01
Investigation and related costs[5]	-	(2)	-	-	2	2	0	2	2	0.00
Intangible asset impairment[6]	17	-	-	-	17	17	4	13	13	0.03
Adjusted	$ 1,131	$ 577	$ 118	$ -	$ 436	$ 394	$ 64	$ 330	$ 329	$ 0.64
Adjusted percent of net sales (or adjusted percent of income before taxes for income tax expense)	41.6%	21.2%	4.3%	-%	16.0%	14.5%	16.2%	12.1%	12.1%	

The company's U.S. GAAP results for the three months ended June 30, 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	$ 1,153	$ 641	$ 166	$ (4)	$ 350	$ 326	$ 13	$ 313	$ 313	$0.60
Reported percent of net sales (or percent of income before taxes for income tax expense)	40.7%	22.6%	5.9%	(0.1%)	12.4%	11.5%	4.0%	11.0%	11.0%	
Intangible asset amortization[1]	45	-	-	-	45	45	9	36	36	0.07
Business optimization items[2]	10	(32)	(23)	-	65	65	13	52	52	0.10
Acquisition and integration expenses[3]	12	-	(2)	4	10	10	3	7	7	0.01
European medical devices regulation[4]	6	-	-	-	6	6	2	4	4	0.01
Intangible asset impairment[6]	31	-	-	-	31	31	7	24	24	0.05
Adjusted	$ 1,257	$ 609	$ 141	$ -	$ 507	$ 483	$ 47	$ 436	$ 436	$0.84
Adjusted percent of net sales (or adjusted percent of income before taxes for income tax expense)	44.4%	21.5%	5.0%	0.0%	17.9%	17.0%	9.7%	15.4%	15.4%	

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

Three Months Ended June 30, 2020 and 2019

(unaudited)

1 The company’s results in 2020 and 2019 included intangible asset amortization expense of $56 million ($44 million, or $0.09 per diluted share, on an after-tax basis) and $45 million ($36 million, or $0.07 per diluted share, on an after-tax basis), respectively.

2 The company’s results in 2020 and 2019 included charges of $13 million ($11 million, or $0.02 per diluted share, on an after-tax basis) and $65 million ($52 million, or $0.10 per diluted share, on an after-tax basis), respectively, associated with its programs to optimize its organization and cost structure on a global basis.

3 The company’s results in 2020 included $9 million ($7 million, or $0.01 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 an in-process R&D asset. The company’s results in 2019 included $10 million ($7 million, or $0.01 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, partially offset by the change in the estimated fair value of contingent consideration liabilities.

4 The company’s results in 2020 and 2019 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 2021.

5 The company’s results in 2020 included costs of $2 million ($2 million, or $0.00 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.

6 The company's results in 2020 and 2019 included charges of $17 million ($13 million, or $0.03 per diluted share, on an after-tax basis) and $31 million ($24 million, or $0.05 per diluted share, on an after-tax basis) for asset impairments related to developed-technology intangible assets.

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.

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

Six Months Ended June 30, 2020 and 2019

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

The company's U.S. GAAP results for the six months ended June 30, 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	$ 2,201	$ 1,218	$ 263	$ (20)	$ 740	$ 667	$ 87	$ 580	$ 578	$1.12
Reported percent of net sales (or percent of income before taxes for income tax expense)	39.9%	22.1%	4.8%	(0.4%)	13.4%	12.1%	13.0%	10.5%	10.5%	
Intangible asset amortization[1]	108	-	-	-	108	108	23	85	85	0.16
Business optimization items[2]	18	(28)	1	17	28	28	5	23	23	0.04
Acquisition and integration expenses[3]	11	(7)	(22)	3	37	37	8	29	29	0.06
European medical devices regulation[4]	14	-	-	-	14	14	4	10	10	0.02
Investigation and related costs[5]	3	(16)	(1)	-	20	20	4	16	16	0.03
Intangible asset impairment[6]	17	-	-	-	17	17	4	13	13	0.03
Adjusted	$ 2,372	$ 1,167	$ 241	$ -	$ 964	$ 891	$ 135	$ 756	$ 754	$ 1.46
Adjusted percent of net sales (or adjusted percent of income before taxes for income tax expense)	43.0%	21.1%	4.4%	0.0%	17.5%	16.1%	15.2%	13.7%	13.7%	

The company's U.S. GAAP results for the six months ended June 30, 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	$ 2,233	$ 1,242	$ 295	$ (37)	$ 733	$ 712	$ 57	$ 655	$ 655	$1.26
Reported percent of net sales (or percent of income before taxes for income tax expense)	40.8%	22.7%	5.4%	(0.7%)	13.4%	13.0%	8.0%	12.0%	12.0%	
Intangible asset amortization[1]	88	-	-	-	88	88	19	69	69	0.13
Business optimization items[2]	29	(40)	(34)	-	103	103	21	82	82	0.16
Acquisition and integration expenses[3]	17	(5)	(6)	4	24	24	6	18	18	0.04
European medical devices regulation[4]	10	-	-	-	10	10	3	7	7	0.01
Intangible asset impairment[6]	31	-	-	-	31	31	7	24	24	0.05
Insurance recoveries from a legacy product-related matter[7]	-	-	-	33	(33)	(33)	(8)	(25)	(25)	(0.05)
Adjusted	$ 2,408	$ 1,197	$ 255	$ -	$ 956	$ 935	$ 105	$ 830	$ 830	$1.60
Adjusted percent of net sales (or adjusted percent of income before taxes for income tax expense)	44.0%	21.9%	4.7%	-%	17.5%	17.1%	11.2%	15.2%	15.2%	

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

Six Months Ended June 30, 2020 and 2019

(unaudited)

1 The company's results in 2020 and 2019 included intangible asset amortization expense of $108 million ($85 million, or $0.16 per diluted share, on an after-tax basis) and $88 million ($69 million, or $0.13 per diluted share, on an after-tax basis), respectively.

2 The company's results in 2020 and 2019 included charges of $45 million ($40 million, or $0.07 per diluted share, on an after-tax basis) and $103 million ($82 million, or $0.16 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 $37 million ($29 million, or $0.06 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 $24 million ($18 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 Claris and the RECOTHROM and PREVELEAK products in prior periods 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 2020 and 2019 included costs of $14 million ($10 million, or $0.02 per diluted share, on an after-tax basis) and $10 million ($7 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 2021.

5 The company's results in 2020 included costs of $20 million ($16 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. 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 2020 and 2019 included charges of $17 million ($13 million, or $0.03 per diluted share, on an after-tax basis) and $31 million ($24 million, or $0.05 per diluted share, on an after-tax basis) for asset impairments related to developed-technology intangible assets.

7 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 agreement for a legacy product-related matter.

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.

Reconciliation of Non-GAAP Financial Measure
Operating Cash Flow to Free Cash Flow

(unaudited)
(in millions)

	Six Months Ended June 30, 2020	
	2020	2019 (As Restated)
Cash flows from operations - continuing operations	$648	$580
Capital expenditures	(316)	(338)
Free cash flow - continuing operations	$332	$242

Free cash flow 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.

Reconciliation of Non-GAAP Financial Measure
Change in Net Sales Growth As Reported to Operational Sales Growth
From The Three Months Ended June 30, 2019 to The Three Months Ended June 30, 2020
(unaudited)

Sales By Global Business Unit:

	Net Sales Growth As Reported	Seprafilm	FX	Operational Sales Growth*
Renal Care	1%	0%	4%	5%
Medication Delivery	(11%)	0%	2%	(9%)
Pharmaceuticals	(10%)	0%	3%	(7%)
Clinical Nutrition	2%	0%	3%	5%
Advanced Surgery	(27%)	(10%)	0%	(37%)
Acute Therapies	41%	0%	4%	45%
Other	6%	0%	1%	7%
Total Baxter	**(4%)**	**(1%)**	**3%**	**(2%)**
U.S.	(6%)	(1%)	0%	(7%)
International	(3%)	(1%)	4%	1%

*Totals may not add across due to rounding

Sales By Operating Segment:

	Net Sales Growth As Reported	Seprafilm	FX	Operational Sales Growth*
Americas	(7%)	(1%)	2%	(6%)
EMEA	(1%)	0%	2%	1%
APAC	1%	(2%)	4%	3%
Total Baxter	**(4%)**	**(1%)**	**3%**	**(2%)**

*Totals may add across due to rounding

Change in operational sales growth 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.

Reconciliation of Non-GAAP Financial Measure
Change in Net Sales Growth As Reported to Operational Sales Growth
From The Six Months Ended June 30, 2019 to The Six Months Ended June 30, 2020
(unaudited)

Sales By Global Business Unit:

	Net Sales Growth As Reported	Seprafilm	FX	Operational Sales Growth*
Renal Care	2%	0%	3%	5%
Medication Delivery	(2%)	0%	2%	0%
Pharmaceuticals	(3%)	0%	2%	(1%)
Clinical Nutrition	5%	0%	2%	7%
Advanced Surgery	(9%)	(8%)	1%	(16%)
Acute Therapies	31%	0%	3%	34%
Other	7%	0%	1%	8%
Total Baxter	**1%**	**(1%)**	**2%**	**3%**
U.S.	1%	(1%)	0%	0%
International	1%	0%	4%	4%

*Totals may not add across due to rounding

Sales By Operating Segment:

	Net Sales Growth As Reported	Seprafilm	FX	Operational Sales Growth*
Americas	(1%)	(1%)	2%	0%
EMEA	2%	0%	3%	5%
APAC	3%	(1%)	4%	5%
Total Baxter	**1%**	**(1%)**	**2%**	**3%**

*Totals may add across due to rounding

Change in operational sales growth 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.

Reconciliation of Non-GAAP Financial Measure
Projected Full-Year 2020 U.S. GAAP Sales Growth to Projected Operational Sales Growth

(unaudited)

Sales Growth Guidance	FY 2020*
Sales Growth – U.S. GAAP	**(1)% - 1%**
Seprafilm	(1)% - 0%
Foreign exchange	1% - 2%
Sales Growth - Operational	**0% - 3%**

*Totals may not foot due to rounding

Reconciliation of Non-GAAP Financial Measure
Projected Full Year 2020 U.S. GAAP Earnings Per Share to Projected Adjusted Earnings Per Share

(unaudited)

Earnings Per Share Guidance	FY 2020*
Earnings per Diluted Share – U.S. GAAP	**$2.40 - $2.50**
Estimated intangible asset amortization	$0.34
Estimated business optimization charges	$0.08
Estimated acquisition and integration expenses	$0.07
Estimated investigation and related costs	$0.04
Estimated European medical devices regulation	$0.05
Intangible asset impairment	$0.03
Earnings per Diluted Share - Adjusted	**$3.00 - $3.10**

*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 presentation. Accordingly, actual U.S. GAAP earnings per share for the full year of 2020 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, or unusual or infrequently occurring items that may occur in 2020.

Baxter

Second-Quarter 2020 Earnings

Baxter International Inc.

July 30, 2020