A photograph of a hospital hallway. In the foreground, three medical professionals are gathered around a clipboard. On the left, a man in a white lab coat looks towards the center. In the middle, a woman in a white lab coat and a man in blue scrubs are looking at the clipboard together. In the background, another woman in blue scrubs is walking. The image has a blue geometric overlay on the right side.

Baxter

**Second-Quarter 2022
Earnings**

Baxter International Inc.

July 28, 2022

Hillrom is a part of Baxter

Forward-Looking Statements

This presentation includes forward-looking statements concerning the company's financial results company's financial results (including the outlook for third-quarter and full-year 2022) and business development and regulatory activities (including the December 2021 acquisition of Hillrom). 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 challenges with the company's ability to accurately predict changing customer preferences (which has led to and may continue to lead to increased inventory levels)); continuity, availability and pricing of acceptable raw materials and component parts (and the company's ability to pass some or all of these costs on to its customers); 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, geopolitical crises, regulatory actions or otherwise); product development risks (including any delays in obtaining required regulatory approvals or failures to obtain such approvals); the impact of global economic conditions (including the ongoing war in Ukraine, the related economic sanctions being imposed globally in response to the conflict and potential trade wars and global inflationary pressures) and public health crises and epidemics, such as the ongoing coronavirus (COVID-19) pandemic, on the company and its employees, customers and suppliers, including foreign governments in countries in which the company operates; accurate identification of and execution on business development and R&D opportunities and realization of anticipated benefits (including the acquisitions of Cheetah Medical, Seprafilm Adhesion Barrier, specified OUS rights to Caelyx/Doxil, full U.S. and specific OUS rights to Transderm Scop, PerClot, Hillrom and certain rights to Zosyn in the U.S. and Canada); product quality or patient safety concerns; 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 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 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 the company's Ahmedabad facility; the outcome of pending or future litigation, including the opioid litigation and ethylene oxide litigation or other claims; 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 the company's peritoneal dialysis products, necessitating significant multiyear capital expenditures, which are difficult to estimate in advance; failures with respect to compliance programs; 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 or the Build Back Better framework; actions taken by tax authorities in connection with ongoing tax audits; and other risks identified in Baxter's most recent filings on Form 10-K and Form 10-Q 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 28, 2022. 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.



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Performance Highlights

Second-Quarter 2022

\$3.7B
Sales

+21% Reported
+26% Constant Currency¹
+3% Operational²

Key Metrics	GAAP	Adjusted ³
Gross Margin	38.8%	42.5%
YOY Change	(100 bps)	(10 bps)
Operating Margin	9.1%	16.2%
YOY Change	(460 bps)	(100 bps)
Diluted EPS	\$0.50	\$0.87
YOY Change	(15%)	+9%

First-Half 2022

\$7.5B
Sales

+23% Reported
+27% Constant Currency¹
+3% Operational²

Key Metrics	GAAP	Adjusted ³
Gross Margin	37.6%	43.8%
YOY Change	(170 bps)	+150 bps
Operating Margin	6.7%	17.1%
YOY Change	(680 bps)	Flat
Diluted EPS	\$0.64	\$1.80
YOY Change	(45%)	+15%

¹Constant currency sales growth excludes the impact of foreign exchange. ²Operational sales growth excludes the impact of foreign exchange and the acquisition of Hillrom, ³Non-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 For Value Creation

Recent Highlights

Demonstrating Portfolio Resilience In Dynamic Environment¹

- Operational sales growth of 3% and adjusted diluted EPS growth of 9% in Q2 2022 driven by improving rates of hospital admission and elective procedures and the contribution from Hillrom

Enhancing Value For Shareholders

- Shared strategy for delivering growth through innovation and transformation at 2022 Investor Conference in May
- Unwavering commitment to successfully integrating Hillrom, which brings together two leading, global medical technology innovators
- Returned value directly to shareholders with ~\$8 million of share repurchases in Q2 2022
- Increased quarterly dividend to \$0.29 per share, reflecting commitment to returning value to shareholders

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

- Recently released [2021 Corporate Responsibility Report](#) which highlights the company's progress advancing its environmental, social and governance (ESG) objectives in pursuit of its 2030 Corporate Responsibility Goals
- Along with the Corporate Responsibility Report, Baxter published its 2021 Sustainability Accounting Standards Board (SASB) Index in line with the Medical Equipment & Supplies Sustainability Accounting Standard
- Recognized by Seramount as a 2022 Top Company for Executive Women as well as a 2022 Best Company for Multicultural Women
- Named to the 2022 "Disability Equality Index (DEI) Best Places to Work for Disability Inclusion" by Disability:IN and the American Association of People with Disabilities (AAPD)
- Named as one of the 3BL Media 100 Best Corporate Citizens of 2022

Advancing Innovation And Expanding Connected Care To Transform Healthcare

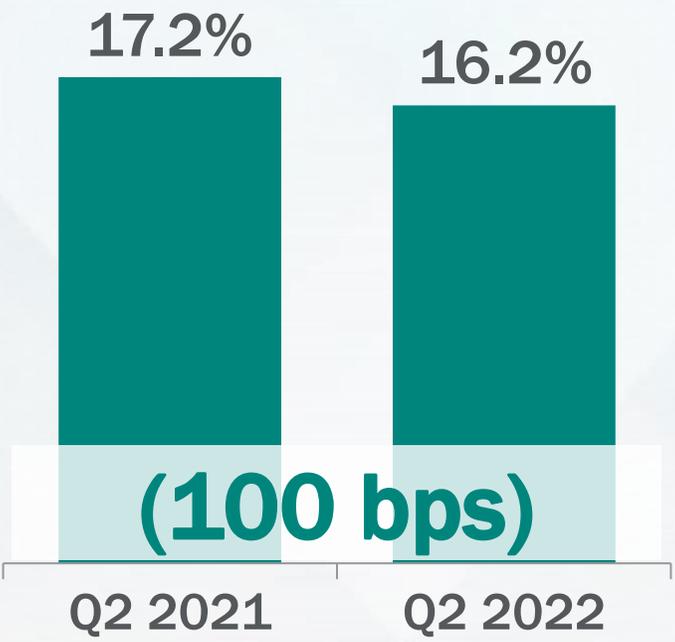
Key Financial Metrics

Second-Quarter 2022 Snapshot¹

Global Reported Sales



Adjusted Operating Margin



Adjusted Diluted EPS



¹Non-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. ²Q2 2022 operational sales growth excludes the impact of foreign exchange of approximately (5%), and the acquisition of Hillrom of approximately 23%; U.S. GAAP sales growth for the period was approximately 21% compared to Q2 2021.

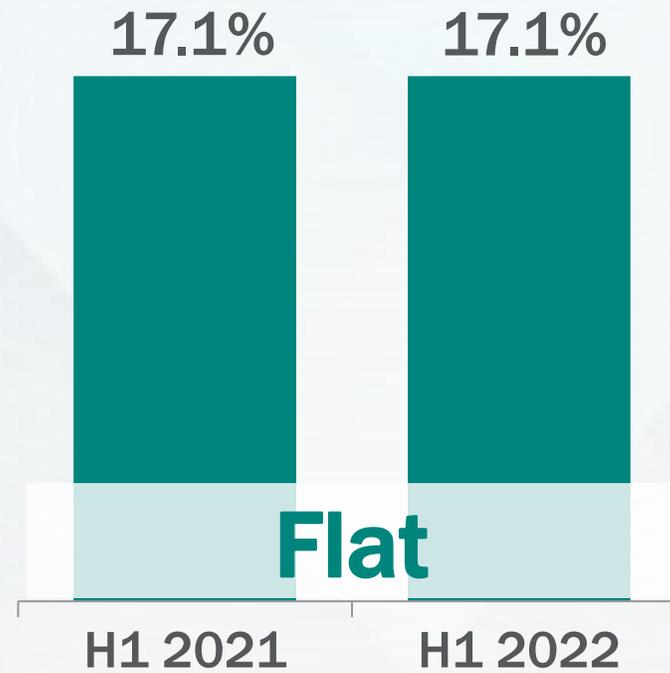
Key Financial Metrics

First-Half 2022 Snapshot¹

Global Reported Sales



Adjusted Operating Margin



Adjusted Diluted EPS



Second-Quarter 2022 Performance¹

Metric	Q2 2022 Guidance	Q2 2022 Actual
Sales Growth <i>Reported</i>	~26%	+21%
Sales Growth <i>Constant Currency</i>	29% - 30%	+26%
Sales Growth <i>Operational</i>	~4%	+3%
Adjusted Diluted EPS <i>Growth vs. Prior-Year Period</i>	\$0.86 - \$0.89 8% - 11%	\$0.87 +9%

Performance Driven By Pandemic Recovery

Second-Quarter 2022 Business Drivers¹

Product Category	Sales	CC Growth ²	Quarterly Performance Drivers
Renal Care	\$931M	+2%	Performance driven by growth in our PD business reflecting sequential and year over year improvement in global patient volumes; partially offset by lower In-Center HD sales due to HD monitor supply challenges
Medication Delivery	\$710M	+4%	Growth reflects strong global demand for IV Therapy products; partially offset by lower hospital census in APAC due to COVID lockdowns in China
Pharmaceuticals	\$528M	+3%	Growth driven by increased sales internationally for Inhaled Anesthetics offsetting increased competition within our US generic injectables portfolio as well as supply constraints for select molecules
Clinical Nutrition	\$230M	+4%	Performance driven by demand for our broad multi-chamber product offering, vitamins and automated compounding
Advanced Surgery	\$263M	+8%	Growth reflects continued elective procedure recovery trends in the US and Europe; partially offset by APAC region which experienced somewhat depressed levels of surgical volumes
Acute Therapies	\$173M	(4%)	Reflects a challenging comparison to the prior year when demand for CRRT was elevated given the rise in COVID-19 cases
BioPharma Solutions	\$163M	(5%)	Reflects step down in sales of COVID vaccines compared to the same period last year
Hillrom	\$715M	N/A	Hillrom contributed \$715 million in sales to the quarter



Financial Results
Second-Quarter 2022 Earnings
July 28, 2022

Second-Quarter 2022 Sales By Product Category¹

<i>\$ In Millions</i>	Q2 2022 Revenue			Total Growth		
	U.S.	International	Total	Reported	Constant	Operational
Renal Care	\$225	\$706	\$931	(3%)	+2%	+2%
Medication Delivery	\$459	\$251	\$710	+2%	+4%	+4%
Pharmaceuticals	\$164	\$364	\$528	(3%)	+3%	+3%
Clinical Nutrition	\$90	\$140	\$230	(3%)	+4%	+4%
Advanced Surgery	\$151	\$112	\$263	+3%	+8%	+8%
Acute Therapies	\$58	\$115	\$173	(8%)	(4%)	(4%)
BioPharma Solutions	\$75	\$88	\$163	(11%)	(5%)	(5%)
Patient Support Systems	\$284	\$80	\$364	N/A	N/A	N/A
Front Line Care	\$202	\$80	\$282	N/A	N/A	N/A
Surgical Solutions	\$36	\$33	\$69	N/A	N/A	N/A
Other	\$20	\$13	\$33	+22%	+26%	+26%
Total Baxter	\$1,764	\$1,982	\$3,746	+21%	+26%	+3%

First-Half 2022 Sales By Product Category¹

\$ In Millions	H1 2022 Revenue			Total Growth		
	U.S.	International	Total	Reported	Constant	Operational
Renal Care	\$450	\$1,375	\$1,825	(3%)	+1%	+1%
Medication Delivery	\$931	\$485	\$1,416	+5%	+7%	+7%
Pharmaceuticals	\$321	\$728	\$1,049	(4%)	+1%	+1%
Clinical Nutrition	\$174	\$283	\$457	(3%)	+3%	+3%
Advanced Surgery	\$287	\$204	\$491	+4%	+8%	+8%
Acute Therapies	\$126	\$235	\$361	(9%)	(6%)	(6%)
BioPharma Solutions	\$127	\$192	\$319	+0%	+6%	+6%
Patient Support Systems	\$579	\$168	\$747	N/A	N/A	N/A
Front Line Care	\$409	\$167	\$576	N/A	N/A	N/A
Surgical Solutions	\$73	\$74	\$147	N/A	N/A	N/A
Other	\$44	\$21	\$65	+20%	+22%	+22%
Total Baxter	\$3,521	\$3,932	\$7,453	+23%	+27%	+3%

Second-Quarter 2022 Sales By Operating Segment¹

<i>\$ In Millions</i>	Q2 2022 Revenue	Total Growth		
	Reported	Reported	Constant	Operational
Americas (North and South America)	\$1,646	+1%	+2%	+2%
EMEA (Europe, Middle East and Africa)	\$738	(6%)	+6%	+6%
APAC (Asia Pacific)	\$647	(6%)	+1%	+1%
Hillrom	\$715	N/A	N/A	N/A
Total Baxter	\$3,746	+21%	+26%	+3%

First-Half 2022 Sales By Operating Segment¹

<i>\$ In Millions</i>	H1 2022 Revenue	Total Growth		
	Reported	Reported	Constant	Operational
Americas (North and South America)	\$3,272	+3%	+4%	+4%
EMEA (Europe, Middle East and Africa)	\$1,437	(6%)	+4%	+4%
APAC (Asia Pacific)	\$1,274	(5%)	+1%	+1%
Hillrom	\$1,470	N/A	N/A	N/A
Total Baxter	\$7,453	+23%	+27%	+3%

Second-Quarter 2022 Adjusted Financial Results¹

	Q2 2021	Q2 2022	Change
Adjusted Gross Margin	42.6%	42.5%	(10 bps)
Adjusted SG&A Expense (% of Sales)	20.9%	22.4%	+150 bps
Adjusted R&D Expense (% of Sales)	4.5%	4.0%	(50 bps)
Adjusted Operating Margin	17.2%	16.2%	(100 bps)
Adjusted Diluted EPS	\$0.80	\$0.87	+9%

First-Half 2022 Adjusted Financial Results¹

	H1 2021	H1 2022	Change
Adjusted Gross Margin	42.3%	43.8%	+150 bps
Adjusted SG&A Expense (% of Sales)	20.8%	22.7%	+190 bps
Adjusted R&D Expense (% of Sales)	4.4%	4.0%	(40 bps)
Adjusted Operating Margin	17.1%	17.1%	Flat
Adjusted Diluted EPS	\$1.56	\$1.80	+15%

Committed To Generating Strong Cash Flows And Maintaining Investment Grade Rating



Strong Liquidity And Deleveraging Focus

~\$1.9 billion of cash and cash equivalents on hand with access to \$2.5 billion and €200 million of undrawn credit facilities as of June 30, 2022; \$690 million of deleveraging year-to-date



Strategic Business Development

Integration of Hillrom proceeding on course; combined entity well-positioned to expand access globally as well as broaden presence in connected care



Reinvestment In Business

Meeting the needs of patients and providers globally while continuing to invest in innovation and new product launches



Dividend Issuance

Increased quarterly dividend to \$0.29 per share, reflecting strong financial position and commitment to returning value to shareholders



Share Repurchase Program

Returned value directly to shareholders with ~\$8 million of share repurchases in Q2 2022; limiting repurchases in the near-term to focus on de-levering

Investing To Create Value For Shareholders Over The Long-Term While Continuing To Target Deleveraging To 2.75x Net Leverage In 2024



2022 Outlook

Second-Quarter 2022 Earnings

July 28, 2022

Full-Year 2022 Guidance¹

	FY 2022 Guidance
Sales Growth <i>Reported</i>	High Teens
Foreign Exchange	 550+ bps
Sales Growth <i>Constant Currency</i>	Mid 20s
Hillrom	 2100+ bps
Sales Growth <i>Operational</i>	2% - 3%
GAAP Diluted EPS <i>Growth vs. Prior-Year Period</i>	\$1.82 - \$1.92 <i>(28%) - (24%)</i>
Adjusted Diluted EPS <i>Growth vs. Prior-Year Period</i>	\$3.60 - \$3.70 <i>0% - 2%</i>

Third-Quarter 2022 Guidance¹

	Q3 2022 Guidance
Sales Growth <i>Reported</i>	High Teens
Foreign Exchange	↑ 750+ bps
Sales Growth <i>Constant Currency</i>	Mid 20s
Hillrom	↓ ~2300 bps
Sales Growth <i>Operational</i>	Low Single Digits
GAAP Diluted EPS <i>Growth vs. Prior-Year Period</i>	\$0.46 - \$0.50 (48%) - (44%)
Adjusted Diluted EPS <i>Growth vs. Prior-Year Period</i>	\$0.79 - \$0.83 (23%) - (19%)



Non-GAAP Reconciliations

Second-Quarter 2022 Earnings

July 28, 2022

Non-GAAP Reconciliation as of July 28, 2022

Non-GAAP Reconciliations:

As part of its Q2 2022 earnings announcement on July 28, 2022, Baxter presented its financial results for the second quarter of 2022. Baxter also presented guidance for the third quarter and full year of 2022. 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 June 30, 2022 and 2021

(unaudited)

(in millions, except per share and percentage data)

The company's U.S. GAAP results for the three months ended June 30, 2022 included special items which impacted the U.S. GAAP measures as follows:

	Gross Margin	Selling, General and Administrative Expenses	Other Operating Income, Net	Operating Income	Other (Income) Expense, Net	Income Before Income Taxes	Income Tax Expense	Net Income	Net Income Attributable to Baxter Stockholders	Diluted Earnings Per Share
Reported	\$ 1,453	\$ 976	\$ (11)	\$ 340	\$ (44)	\$ 295	\$ 40	\$ 255	\$ 252	\$ 0.50
Reported percent of net sales (or percent of income before income taxes for income tax expense)	38.8 %	26.1 %	(0.3)%	9.1 %	(1.2)%	7.9 %	13.6 %	6.8 %	6.7 %	
Intangible asset amortization ¹	112	(81)	—	193	—	193	47	146	146	0.29
Business optimization items ²	6	(36)	—	42	—	42	11	31	31	0.06
Acquisition and integration expenses ³	9	(20)	11	18	—	18	4	14	14	0.03
European medical devices regulation ⁴	12	—	—	12	—	12	3	9	9	0.02
Pension curtailment ⁵	—	—	—	—	11	(11)	(2)	(9)	(9)	(0.02)
Adjusted	\$ 1,592	\$ 839	\$ —	\$ 605	\$ (33)	\$ 549	\$ 103	\$ 446	\$ 443	\$ 0.87
Adjusted percent of net sales (or adjusted percent of income before income taxes for income tax expense)	42.5 %	22.4 %	0.0 %	16.2 %	(0.9)%	14.7 %	18.8 %	11.9 %	11.8 %	

The company's U.S. GAAP results for the three months ended June 30, 2021 included special items which impacted the U.S. GAAP measures as follows:

	Gross Margin	Selling, General and Administrative 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	\$ 1,233	\$ 675	\$ (5)	\$ 424	\$ 392	\$ 91	\$ 301	\$ 298	\$ 0.59
Reported percent of net sales (or percent of income before income taxes for income tax expense)	39.8 %	21.8 %	(0.2)%	13.7 %	12.7 %	23.2 %	9.7 %	9.6 %	
Intangible asset amortization ¹	67	—	—	67	67	14	53	53	0.10
Business optimization items ²	10	(8)	—	18	18	3	15	15	0.03
Acquisition and integration expenses ³	—	(1)	5	(4)	(4)	(1)	(3)	(3)	(0.01)
European medical devices regulation ⁴	11	—	—	11	11	3	8	8	0.02
Investigation and related costs ⁶	—	(17)	—	17	17	1	16	16	0.03
Tax matter ⁷	—	—	—	—	—	(22)	22	22	0.04
Adjusted	\$ 1,321	\$ 649	\$ —	\$ 533	\$ 501	\$ 89	\$ 412	\$ 409	\$ 0.80
Adjusted percent of net sales (or adjusted percent of income before income taxes for income tax expense)	42.6 %	20.9 %	0.0 %	17.2 %	16.2 %	17.8 %	13.3 %	13.2 %	

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

Three Months Ended June 30, 2022 and 2021

(unaudited)

- ¹ The company's results in 2022 and 2021 included intangible asset amortization expense of \$193 million (\$146 million, or \$0.29 per diluted share, on an after-tax basis) and \$67 million (\$53 million, or \$0.10 per diluted share, on an after-tax basis), respectively.
- ² The company's results in 2022 and 2021 included charges of \$42 million (\$31 million, or \$0.06 per diluted share, on an after-tax basis) and \$18 million (\$15 million, or \$0.03 per diluted share, on an after-tax basis), respectively, associated with its programs to optimize its organization and cost structure on a global basis. In 2022, restructuring charges include actions taken in connection with our integration of Hill-Rom Holdings, Inc. (Hillrom), which we acquired in December 2021.
- ³ The company's results in 2022 included \$18 million (\$14 million, or \$0.03 per diluted share, on an after-tax basis) of acquisition and integration-related expenses. That amount includes \$29 million of costs related to our acquisition of Hillrom, partially offset by an \$11 million benefit from a change in the estimated fair value of contingent consideration liabilities. The company's results in 2021 included \$4 million (\$3 million, or \$0.01 per diluted share, on an after-tax basis) of benefits from the change in fair value of contingent consideration liabilities that was partially offset by integration expenses related to the acquisition of the rights to **Caelyx** and **Doxil** for specified territories outside of the U.S.
- ⁴ The company's results in 2022 and 2021 included costs of \$12 million (\$9 million, or \$0.02 per diluted share, on an after-tax basis) and \$11 million (\$8 million, or \$0.02 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 became effective in stages beginning in 2021.
- ⁵ The company's results in 2022 included a curtailment gain of \$11 million (\$9 million, or \$0.02 per diluted shares, on an after-tax basis) related to a curtailment gain on an announced change for active non-bargaining participants in our U.S. Hillrom pension plan.
- ⁶ The company's results in 2021 included costs of \$17 million (\$16 million, or \$0.03 per diluted share, on an after-tax basis) for investigation and related costs from matters associated with the company's investigation of foreign exchange gains and losses.
- ⁷ The company's results in 2021 included a charge of \$22 million, or \$0.04 per diluted share, related to an unfavorable court ruling for an uncertain tax position.

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, 2022 and 2021

(unaudited)

(in millions, except per share and percentage data)

The company's U.S. GAAP results for the six months ended June 30, 2022 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	Other (Income) Expense, Net	Income Before Income Taxes	Income Tax Expense	Net Income	Net Income Attributable to Baxter Stockholders	Diluted Earnings Per Share
Reported	\$ 2,801	\$ 2,028	\$ 298	\$ (28)	\$ 503	\$ (60)	\$ 389	\$ 61	\$ 328	\$ 323	\$ 0.64
Reported percent of net sales (or percent of income before income taxes for income tax expense)	37.6 %	27.2 %	4.0 %	(0.4)%	6.7 %	(0.8)%	5.2 %	15.7 %	4.4 %	4.3 %	
Intangible asset amortization ¹	234	(176)	—	—	410	—	410	95	315	315	0.62
Business optimization items ²	8	(114)	(1)	—	123	—	123	31	92	92	0.18
Acquisition and integration expenses ³	173	(44)	—	28	189	—	189	34	155	155	0.31
European medical devices regulation ⁴	23	—	—	—	23	—	23	5	18	18	0.04
Product-related items ⁵	23	—	—	—	23	—	23	3	20	20	0.04
Pension Curtailment ⁶	—	—	—	—	—	11	(11)	(2)	(9)	(9)	(0.02)
Adjusted	\$ 3,262	\$ 1,694	\$ 297	\$ —	\$ 1,271	\$ (49)	\$ 1,146	\$ 227	\$ 919	\$ 914	\$ 1.80
Adjusted percent of net sales (or adjusted percent of income before income taxes for income tax expense)	43.8 %	22.7 %	4.0 %	0.0 %	17.1 %	(0.7)%	15.4 %	19.8 %	12.3 %	12.3 %	

The company's U.S. GAAP results for the six months ended June 30, 2021 included special items which impacted the U.S. GAAP measures as follows:

	Gross Margin	Selling, General and Administrative 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	\$ 2,378	\$ 1,302	\$ (5)	\$ 814	\$ 743	\$ 142	\$ 601	\$ 596	\$ 1.17
Reported percent of net sales (or percent of income before income taxes for income tax expense)	39.3 %	21.5 %	(0.1)%	13.5 %	12.3 %	19.1 %	9.9 %	9.9 %	
Intangible asset amortization ¹	131	—	—	131	131	26	105	105	0.21
Business optimization items ²	31	(14)	—	45	45	10	35	35	0.07
Acquisition and integration expenses ³	—	(2)	5	(3)	(3)	(1)	(2)	(2)	0.00
European medical devices regulation ⁴	19	—	—	19	19	5	14	14	0.03
Investigation and related costs ⁷	—	(28)	—	28	28	3	25	25	0.05
Tax matter ⁸	—	—	—	—	—	(22)	22	22	0.04
Adjusted	\$ 2,559	\$ 1,258	\$ —	\$ 1,034	\$ 963	\$ 163	\$ 800	\$ 795	\$ 1.56
Adjusted percent of net sales (or adjusted percent of income before income taxes for income tax expense)	42.3 %	20.8 %	0.0 %	17.1 %	15.9 %	16.9 %	13.2 %	13.2 %	

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

Six Months Ended June 30, 2022 and 2021

(unaudited)

- ¹ The company's results in 2022 and 2021 included intangible asset amortization expense of \$410 million (\$315 million, or \$0.62 per diluted share, on an after-tax basis) and \$131 million (\$105 million, or \$0.21 per diluted share, on an after-tax basis), respectively.
- ² The company's results in 2022 and 2021 included charges of \$123 million (\$92 million, or \$0.18 per diluted share, on an after-tax basis) and \$45 million (\$35 million, or \$0.07 per diluted share, on an after-tax basis), respectively, associated with its programs to optimize its organization and cost structure on a global basis. In 2022, restructuring charges include actions taken in connection with our integration of Hill-Rom Holdings, Inc. (Hillrom), which we acquired in December 2021.
- ³ The company's results in 2022 included \$189 million (\$155 million, or \$0.31 per diluted share, on an after-tax basis) of acquisition and integration-related expenses. That amount includes \$217 million of costs related to our acquisition of Hillrom, including \$159 million of incremental costs of sales from the fair value step-ups on acquired Hillrom inventory that was sold in the first quarter. The acquisition and integration-related expenses related to Hillrom were partially offset by \$28 million of benefits from changes in the estimated fair value of contingent consideration liabilities. The company's results in 2021 included \$3 million (\$2 million, or \$0.00 per diluted share, on an after-tax basis) of benefits from a change in fair value of contingent consideration liabilities that was partially offset by integration expenses related to the company's acquisitions of **Caelyx** and **Doxil** for specified territories outside of the U.S.
- ⁴ The company's results in 2022 and 2021 included costs of \$23 million (\$18 million, or \$0.04 per diluted share, on an after-tax basis) and \$19 million (\$14 million, or \$0.03 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 become effective in stages beginning in 2021.
- ⁵ The company's results in 2022 included charges of \$23 million (\$20 million, or \$0.04 per diluted share, on an after-tax basis) related to warranty and remediation activities from two field corrective actions on certain of our infusion pumps.
- ⁶ The company's results in 2022 included a curtailment gain of \$11 million (\$9 million, \$0.02 per diluted share, on an after-tax basis) related to a curtailment gain on an announced change for active non-bargaining participants in our U.S. Hillrom pension plan.
- ⁷ The company's results in 2021 included costs of \$28 million (\$25 million, or \$0.05 per diluted share, on an after-tax basis) for investigation and related costs from matters associated with the company's investigation of foreign exchange gains and losses.
- ⁸ The company's results in 2021 included a charge of \$22 million, or \$0.04 per diluted share, related to an unfavorable court ruling for an uncertain tax position.

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,	
	2022	2021
Cash flows from operations – continuing operations	\$ 482	\$ 854
Cash flows from investing activities	(491)	(726)
Cash flows from financing activities	(1,017)	(707)
Cash flows from operations - continuing operations	\$ 482	\$ 854
Capital expenditures	(311)	(329)
Free cash flow - continuing operations	\$ 171	\$ 525

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 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, 2021 to The Three Months Ended June 30, 2022

(unaudited)

Sales By Product Category:

	Net Sales Growth As Reported	Hillrom	FX	Operational Sales Growth*
Renal Care	(3)%	0%	5%	2%
Medication Delivery	2%	0%	2%	4%
Pharmaceuticals	(3)%	0%	6%	3%
Clinical Nutrition	(3)%	0%	7%	4%
Advanced Surgery	3%	0%	5%	8%
Acute Therapies	(8)%	0%	4%	(4)%
BioPharma Solutions	(11)%	0%	6%	(5)%
Patient Support Systems	N/A	N/A	N/A	N/A
Front Line Care	N/A	N/A	N/A	N/A
Surgical Solutions	N/A	N/A	N/A	N/A
Other	22%	0%	4%	26%
Total Baxter	21%	(23)%	5%	3%
U.S.	47%	(44)%	0%	4%
International	4%	(10)%	9%	2%

*Totals may not add across due to rounding

Sales By Operating Segment:

	Net Sales Growth As Reported	Hillrom	FX	Operational Sales Growth*
Americas	1%	0%	1%	2%
EMEA	(6)%	0%	12%	6%
APAC	(6)%	0%	7%	1%
Hillrom	N/A	N/A	N/A	N/A
Total Baxter	21%	(23)%	5%	3%

*Totals may not 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 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, 2021 to The Six Months Ended June 30, 2022

(unaudited)

Sales By Product Category:

	Net Sales Growth As Reported	Hillrom	FX	Operational Sales Growth*
Renal Care	(3)%	0%	4%	1%
Medication Delivery	5%	0%	2%	7%
Pharmaceuticals	(4)%	0%	5%	1%
Clinical Nutrition	(3)%	0%	6%	3%
Advanced Surgery	4%	0%	4%	8%
Acute Therapies	(9)%	0%	3%	(6)%
BioPharma Solutions	0%	0%	6%	6%
Patient Support Systems	N/A	N/A	N/A	N/A
Front Line Care	N/A	N/A	N/A	N/A
Surgical Solutions	N/A	N/A	N/A	N/A
Other	20%	0%	2%	22%
Total Baxter	23%	(24)%	4%	3%
U.S.	48%	(45)%	0%	3%
International	7%	(11)%	7%	3%

*Totals may not add across due to rounding

Sales By Operating Segment:

	Net Sales Growth As Reported	Hillrom	FX	Operational Sales Growth*
Americas	3%	0%	1%	4%
EMEA	(6)%	0%	10%	4%
APAC	(5)%	0%	6%	1%
Hillrom	N/A	N/A	N/A	N/A
Total Baxter	23%	(24)%	4%	3%

*Totals may not 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 Exchange Commission on the date of this presentation.

Reconciliation of Non-GAAP Financial Measure

Projected Third Quarter and Full Year 2022 U.S. GAAP Sales Growth to Projected Operational Sales Growth, and Projected Third Quarter and Full Year 2022 U.S. GAAP Operating Margin to Projected Adjusted Operating Margin

(unaudited)

Sales Growth Guidance	Q3 2022*	FY 2022*
Sales Growth - U.S. GAAP	High Teens	High Teens
Hillrom	(23)%	(21)%
Foreign exchange	7.5%	5.5%
Sales Growth - Operational	Low Single Digit	2% - 3%

*Totals may not foot due to rounding

Operating Margin Guidance	FY 2022*
Operating Margin - U.S. GAAP	9.1% - 9.6%
Estimated intangible asset amortization	4.8%
Estimated business optimization charges	1.0%
Estimated acquisition and integration expenses	1.6%
Estimated product-related items	0.2%
Estimated European medical devices regulation	0.3%
Operating Margin - Adjusted	17.0% - 17.5%

*Totals may not foot due to rounding

Reconciliation of Non-GAAP Financial Measure

Projected Full Year 2022 U.S. GAAP Tax Rate to Projected Adjusted Tax Rate, and Projected Third Quarter and Full Year 2022 U.S. GAAP Earnings Per Share to Projected Adjusted Earnings Per Share

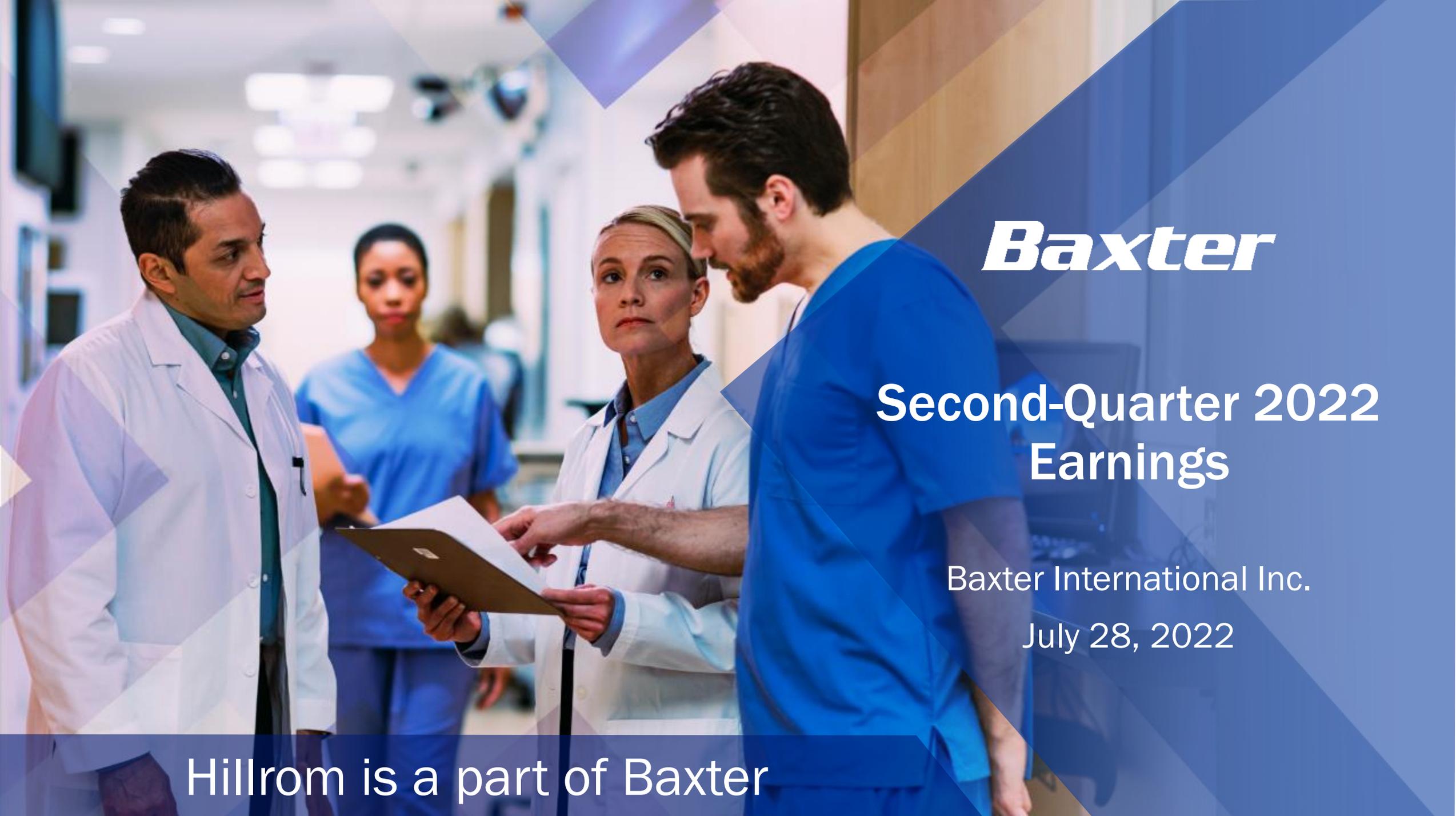
(unaudited)

The projected FY 2022 U.S. GAAP tax rate of approximately 14% has been adjusted to reflect the tax impact of projected special items, consisting of intangible asset amortization, business optimization charges, acquisition and integration expenses, product-related items, the European medical devices regulation expenses and a pension curtailment, to arrive at a projected adjusted tax rate of approximately 19%.

Earnings Per Share Guidance	Q3 2022*	FY 2022*
Earnings per Diluted Share - U.S. GAAP	\$0.46 - \$0.50	\$1.82 - \$1.92
Estimated intangible asset amortization	\$0.25	\$1.11
Estimated business optimization charges	\$0.02	\$0.22
Estimated acquisition and integration expenses	\$0.04	\$0.36
Estimated product-related items	\$0.00	\$0.04
Estimated European medical devices regulation	\$0.02	\$0.07
Estimated pension curtailment	\$0.00	\$(0.02)
Earnings per Diluted Share - Adjusted	\$0.79 - \$0.83	\$3.60 - \$3.70

*Totals may not foot due to rounding.

The company's outlook for U.S. GAAP operating margin, income tax rate and 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 operating margin, income tax rate and earnings per share for the third quarter and full year of 2022 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 2022.

A photograph of a hospital hallway. In the foreground, three medical professionals are looking at a clipboard held by a woman in a white lab coat. A man in a white lab coat stands to the left, and a man in blue scrubs stands to the right. In the background, another woman in blue scrubs is walking. The image has a blue geometric overlay on the right side.

Baxter

**Second-Quarter 2022
Earnings**

Baxter International Inc.

July 28, 2022

Hillrom is a part of Baxter