



Baxter

Third-Quarter 2019 Preliminary Operating Results

Baxter International Inc.

October 24, 2019

Safe Harbor Statement

This presentation includes forward-looking statements concerning the Company's financial results, business development activities, capital structure, cost savings initiatives, and R&D pipeline, including results of clinical trials and planned product launches. These forward-looking statements may include statements with respect to: the outcome of the investigation of misstatements in previously reported non-operating income related to foreign exchange gains and losses; the expectation that the Company will not timely file its Quarterly Report on Form 10-Q for the quarter ended September 30, 2019; the Company's ability to share its full financial results for the quarter ended September 30, 2019 and the timing thereof; the Company's expectation to either amend its periodic reports previously filed with the SEC to include restated financial statements or include in reports for future periods restated comparative financial statements; the Company's expectation to correct certain operational items that were immaterial to its previously reported results of operations; the Company's expected sales growth and operating margin for the fourth quarter of 2019; and the belief that the expected acquisition of Cheetah Medical will accelerate the Company's presence in the specialized patient monitoring space. 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: developments in the investigation related to foreign exchange gains and losses, including developments that would expand the scope of the investigation or require the correction of additional misstatements in the previously issued financial 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 or otherwise); 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 the FDA, the Department of Justice, the Securities and Exchange Commission, 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 ongoing investigation related to foreign exchange gains and losses; 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 Claris Injectables and two surgical products from Mallinckrodt plc and the expected acquisition of Cheetah Medical); 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; the impact of global economic conditions (including potential trade wars); 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; the outcome of pending or future litigation, including with respect to the opioid litigation; and other risks identified in Baxter's most recent filing on Form 10-K and other Securities and Exchange Commission 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 preliminary consolidated financial information presented on a 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 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 within the Company's most recent release of preliminary operating results filed with the SEC on Form 8-K on October 24, 2019. This information should be considered in addition to, and not as substitutes for, information prepared in accordance with GAAP.

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



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Top Quartile Goals



Product 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

Executing On Our Strategy

Third-Quarter 2019 Highlights¹

Building Momentum With Strong Focus On Operational Performance²

- Delivered 5% operational sales growth reflecting strength across all businesses and commitment to innovation
- Adjusted operating margin of 19.5% driven by solid top-line performance and ongoing operational efficiencies

Investing In Growth Opportunities And Executing On A Robust Pipeline Of Launches³

- Achieved significant milestones in innovation pipeline, including: U.S. and Canadian launches of PrisMax, U.S. launch of Myxredlin, European launch of Finomel, and U.S. launch of Clinolipid
- Announced partnership with COSMED to commercialize Q-NRG+; shared new data associating Sharesource remote patient management platform with reductions in hospitalizations for home PD patients

Delivering Enhanced Value For Shareholders

- Announced expected acquisition of Cheetah Medical⁴, a leading provider of non-invasive hemodynamic monitoring technologies
- Continued rigorous assessment of high-value capital investment opportunities

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

- Named to the Dow Jones Sustainability Indices (DJSI) – DJSI World and DJSI North America - for the 20th straight year
- Recognized as a 2019 Top 10% Inclusion Index Company on the Diversity Best Practices' annual Inclusion Index; one of just 14 companies cited for superior achievement in creating an inclusive workplace
- Honored by *Working Mother* magazine as a Top 100 Company and as a Best Company for Dads

**Third-Quarter Performance Supports Confidence In Operational Strength
And Commercial Execution**

¹Financials referenced in this slide are preliminary and subject to change. ²Non-GAAP financial metrics referenced in this slide include operational sales growth and adjusted operating margin. A reconciliation to comparable GAAP measures can be found herein. ³See www.baxter.com for original press releases with additional product information. ⁴Entered definitive agreement to acquire Cheetah Medical Inc. on September 10, 2019. See www.baxter.com for original press release with additional information regarding the proposed transaction.

Continued Strength In Operational Performance

Third-Quarter 2019 Snapshot^{1,2}

Global Reported Sales

\$2.85B

+3% Reported | +5% Operational

Strategic transformation yielding positive performance across all business units and regions; results reflect ongoing momentum and high-value innovation

Adjusted Gross Margin

45.7%

Of Sales

Benefit from strong top-line performance and positive manufacturing variances partially offset by efforts to enhance dialyzer manufacturing capabilities

Adjusted Operating Margin

19.5%

Of Sales

Reflects strong top-line performance, manufacturing efficiencies, and ongoing efforts to optimize and improve operational performance across the organization

Strong Performance Across Portfolio

Third-Quarter 2019 Business Drivers^{1,2}



Renal Care

\$918M

Strength in PD therapies globally partially offset by lower sales for select in-center HD products and impact of Revaclear dialyzer temporary supply constraints



Medication Delivery

\$701M

Performance driven by focused commercial execution for Spectrum IQ in the U.S. and continued momentum for Small and Large Volume IV Solutions globally



Pharmaceuticals

\$527M

Demand for international hospital pharmacy compounding services and generic injectables partially offset by lower sales of anesthesia and critical care products as well as Brevibloc



Clinical Nutrition

\$219M

Performance driven by improved sales of multichamber bags and micronutrients globally and international demand for automated compounding services



Advanced Surgery

\$216M

Increased demand for hemostats and sealants portfolio augmented by ability to address competitive supply constraints



Acute Therapies

\$130M

Performance driven by global demand for CRRT³ and supported by new product launches, including PrisMax in the U.S.

Third-Quarter 2019 Sales^{1,2}

Metric	Q3 2019 <i>Guidance</i>	Q3 2019 <i>Actual</i>
Sales Growth <i>Reported</i>	3% - 4%	+3%
Sales Growth <i>Constant Currency</i>	~5%	+5%
Sales Growth <i>Operational</i>	~5%	+5%

Advancing Our New Product Portfolio

Recent R&D And Commercial Milestones¹



PrisMax

Finomel



Clinolipid



Sharesource Clinical Portal



Q-NRG+

- ▶ Announced U.S. launch of **PrisMax** system and the integrated TherMax blood warmer; features include straightforward connectivity to hospital EMR² and unique TrueVue Analytics platform to help clinical teams continuously improve CRRT³ programs
- ▶ Introduced two nutrition products that give clinicians additional prescribing options to meet patients' diverse nutritional needs with the European launch of **Finomel** and the U.S. launch of **Clinolipid**
- ▶ Announced new data associating the use of Baxter APD⁴ cyclers and the **Sharesource** remote patient management platform with a 39% reduction in hospitalizations for home PD patients
- ▶ Partnered with COSMED to commercialize **Q-NRG+**, a metabolic monitoring device utilizing indirect calorimetry technology

A person wearing a white protective suit, mask, and safety glasses is working in a laboratory. They are using a large, black, industrial-grade microscope. The background is a blurred laboratory setting with other people in white coats. The image has a blue and white geometric pattern overlay.

Preliminary Financial Results

Third-Quarter 2019

October 24, 2019

Third-Quarter 2019 Sales By Global Business Unit¹

	Q3 2019 Revenue		
<i>\$ In Millions</i>	U.S.	International	Total
Renal Care	\$199	\$719	\$918
Medication Delivery	\$461	\$240	\$701
Pharmaceuticals	\$223	\$304	\$527
Clinical Nutrition	\$80	\$139	\$219
Advanced Surgery	\$134	\$82	\$216
Acute Therapies	\$44	\$86	\$130
Other	\$83	\$57	\$140
Total Baxter	\$1,224	\$1,627	\$2,851

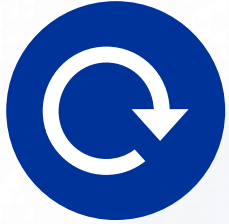
Third-Quarter 2019 Sales By Operating Segment¹

	Q3 2019 Revenue
<i>\$ In Millions</i>	Reported
Americas (North and South America)	\$1,534
EMEA (Europe, Middle East and Africa)	\$730
APAC (Asia Pacific)	\$587
Total Baxter	\$2,851

Third-Quarter 2019 Adjusted Financial Results^{1,2}

	\$ In Millions	% of Sales
Adjusted Gross Margin	\$1,303M	45.7%
Adjusted SG&A Expense	\$614M	21.5%
Adjusted R&D Expense	\$134M	4.7%
Adjusted Operating Income	\$555M	19.5%

Strategically Deploying Capital To Fuel Growth And Create Value



Reinvestment in Business

Investing in higher-margin, faster-growing businesses to drive meaningful innovation and enable accelerating launch cadence



Dividend Issuance

Announced quarterly dividend of \$0.22 per share; currently targeting ~35% dividend payout ratio over time



Share Repurchases

Returned value directly to shareholders through year-to-date share repurchases¹



Strategic M&A

Announced definitive agreement to acquire Cheetah Medical²; continuing rigorous assessment of business development and licensing opportunities





Financial Outlook

Fourth-Quarter 2019

October 24, 2019

Fourth-Quarter 2019 Financial Guidance¹

	Fourth-Quarter 2019 Guidance
Sales Growth <i>Reported</i>	3% - 4%
Foreign Exchange	 100+ bps
Sales Growth <i>Constant Currency</i>	~5%
U.S. Cyclo Competition	 <50 bps
Sales Growth <i>Operational</i>	~5%
Adjusted Operating Margin	18.5% - 19.0%



Non-GAAP Reconciliations

October 24, 2019

Non-GAAP Reconciliation as of October 24, 2019

Non-GAAP Reconciliations:

As part of its Q3 2019 preliminary operating results announcement on October 24, 2019, Baxter presented preliminary consolidated financial information for Q3 2019. Baxter also presented guidance for Q4 2019. In these presentations, Baxter used non-GAAP financial measures of sales growth (on a constant currency and operational basis), adjusted gross margin, adjusted operating income and margin, adjusted selling, general and administrative expense, and adjusted research and development expense. The reconciliations set forth below reconcile the non-GAAP measures set forth in this presentation for historical periods to the most directly comparable GAAP measures.

Description of Adjustments and Reconciliation of GAAP to Non-GAAP Measures For The Three Months Ended September 30, 2019

(unaudited)

(in millions, except percentage data)

The following is a reconciliation of sales growth on a reported basis to operational sales growth from the three months ended September 30, 2018 to the three months ended September 30, 2019:

Net Sales as Reported	U.S. Cyclophosphamide	FX	Operational Sales
3%	0%	2%	5%

The company's GAAP results for the three months ended September 30, 2019 included special items which impacted the GAAP measures as follows:

	Gross Margin	Selling, General and Administrative Expenses	Research and Development Expenses	Other Operating Income, net	Operating Income
Reported	\$ 1,230	\$ 627	\$ 144	\$ (44)	\$ 503
Reported percent of net sales	43.1%	22.0%	5.1%	-1.5%	17.6%
Intangible asset amortization ¹	48	-	-	-	48
Business optimization items ²	10	(10)	(8)	-	28
Acquisition and integration expenses ³	8	(3)	(2)	-	13
European medical devices regulation ⁴	7	-	-	-	7
Insurance recoveries from a legacy product-related matter ⁵	-	-	-	4	(4)
Hurricane Maria insurance recoveries ⁶	-	-	-	40	(40)
Adjusted	\$ 1,303	\$ 614	\$ 134	\$ -	\$ 555
Adjusted percent of net sales	45.7%	21.5%	4.7%	0.0%	19.5%

¹ The company's results included intangible asset amortization expense of \$48 million.

² The company's results included charges of \$28 million associated with its execution of programs to optimize its global organization and cost structure.

³ The company's results included \$13 million of acquisition and integration expenses. This included integration expenses related to its acquisitions of Claris Injectables Limited and the RECOTHROM and PREVELEAK products in prior periods, as well as the 2019 acquisition of an in-process research and development asset.

⁴ The company's results included costs of \$7 million 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 will become effective in 2020.

⁵ The company's results included a benefit of \$4 million for its allocation of insurance proceeds received pursuant to a settlement and cost-sharing arrangement for a legacy-product related matter.

⁶ The company's results included a benefit of \$40 million related to insurance recoveries as a result of losses incurred due to Hurricane Maria.

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.

Non-GAAP Reconciliation as of October 24, 2019

Reconciliations for Q4 2019 Forecasts

The reconciliation between the projected Q4 2019 GAAP sales growth and projected operational sales growth follows:

Net Sales as Reported	U.S. Cyclophosphamide	FX	Operational Sales
3% - 4%	0%	1% - 2%	5%

The reconciliation between the projected Q4 2019 GAAP operating margin to the projected adjusted operating margin follows:

	Operating Margin
Reported	15.2% - 15.9%
Estimated intangible asset amortization	1.6%
Estimated business optimization items	0.6% - 0.8%
Estimated acquisition and integration expenses	0.4%
Estimated European medical devices regulation	0.3%
Estimated investigation costs	0.2%
Adjusted	18.5% - 19.0%

Change in operational sales and adjusted operating margin are non-GAAP measures. 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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