

Baxter

SUPPLEMENTAL HISTORICAL FINANCIAL INFORMATION

November 7, 2024



NON-GAAP FINANCIAL MEASURES

This presentation contains certain financial measures that are not calculated in accordance with U.S. GAAP (Generally Accepted Accounting Principles). The non-GAAP financial measures include sales growth (on a constant currency), adjusted gross margin, adjusted selling, general and administrative expense, adjusted research and development expense, adjusted other operating (income) expense, net, adjusted operating income, adjusted operating margin, adjusted other (income) expense, net, adjusted income (loss) before income taxes, adjusted income tax expense (benefit), adjusted income (loss) from continuing operations, adjusted income (loss) from discontinued operations, adjusted diluted earnings per share from continuing operations and adjusted diluted earnings per share from discontinued operations. Those measures are provided on a continuing operations basis and exclude any impact of the Kidney Care segment, which will be reported as a discontinued operation. 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.

BAXTER INTERNATIONAL INC.
Impact of Discontinued Operations on Prior Period U.S.
GAAP and Adjusted Results
(unaudited, in millions)

On August 12, 2024, Baxter entered into a definitive equity purchase agreement with certain affiliates of Carlyle Group Inc. to sell Baxter's Kidney Care business, subject to receipt of customary regulatory approvals and satisfaction of other closing conditions. We determined that our Kidney Care business met the criteria to be classified as held-for-sale in August 2024 and we also concluded that it met the conditions to be reported as a discontinued operation at that time. Accordingly, our Kidney Care business will be reported as a discontinued operation in our condensed consolidated financial statements beginning with the third quarter of 2024 and our prior period financial position and results of operations will be retrospectively adjusted to reflect that presentation.

The following schedules present, for informational purposes only, our retrospectively adjusted historical financial results to reflect the impact of presenting our Kidney Care business as a discontinued operation. Unless otherwise specified, amounts included as discontinued operations in these schedules also include amounts related to our BioPharma Solutions (BPS) business that was sold in September 2023 and was reported as a discontinued operation beginning with the second quarter of 2023. The "as previously reported" amounts presented in these schedules reflect our previously reported results of continuing operations, which exclude amounts related to our BPS business. The "Discontinued Operations – Kidney Care" amounts presented in these schedules solely reflect activity related to our Kidney Care business.

	Quarterly Net Sales						Full Year Net Sales		
	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	2023	2022 ⁽¹⁾	2021
Net Sales									
As previously reported	\$3,812	\$3,592	\$3,885	\$3,708	\$3,707	\$3,513	\$14,813	\$14,506	\$12,146
Discontinued Operations - Kidney Care	1,118	1,102	1,156	1,109	1,116	1,072	4,453	4,449	4,682
Continuing Operations	\$2,694	\$2,490	\$2,729	\$2,599	\$2,591	\$2,441	\$10,360	\$10,057	\$7,464
Continuing Operations Sales Growth*	4 %	2 %	6 %	4 %	4 %	(1)%	3 %	35 %	11 %
Continuing Operations Sales Growth - Constant Currency*	5 %	2 %	5 %	3 %	5 %	1 %	3 %	39 %	9 %

* Our presentation of continuing operations sales growth at constant currency rates, which is computed using current period local currency sales at the prior period's foreign exchange rates, is a non-GAAP financial measure. This measure provides information on the change in net sales assuming that foreign currency exchange rates had not changed between the prior period and the current period. We believe that the non-GAAP measure of continuing operations sales growth at constant currency rates, when used in conjunction with the U.S. GAAP measure of change in net sales at actual currency rates, may provide a more complete understanding and facilitate a fuller analysis of our results of operations, particularly in evaluating performance from one period to another.

⁽¹⁾ The company's Healthcare Systems and Technologies (HST) segment was added with its acquisition of Hill-Rom Holdings, Inc. (Hillrom) in December 2021. The sales growth in 2022 is reflective of the prior year net sales for that segment over the 18-day period from the acquisition date through year-end.

BAXTER INTERNATIONAL INC.
Impact of Discontinued Operations on Prior Period U.S.
GAAP and Adjusted Results

	Quarterly Results					
	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Gross Margin						
U.S. GAAP as previously reported	\$ 1,431	\$ 1,387	\$ 1,472	\$ 1,117	\$ 1,111	\$ 1,275
Discontinued Operations - Kidney Care	400	426	372	61	81	311
U.S. GAAP Continuing Operations	1,031	961	1,100	1,056	1,030	964
Impact of Special Items	112	119	117	109	103	123
Continuing Operations as adjusted ⁽¹⁾	\$ 1,143	\$ 1,080	\$ 1,217	\$ 1,165	\$ 1,133	\$ 1,087
Selling, General and Administrative Expenses						
U.S. GAAP as previously reported	\$ 1,021	\$ 1,027	\$ 985	\$ 1,002	\$ 964	\$ 995
Discontinued Operations - Kidney Care	298	298	302	258	228	205
U.S. GAAP Continuing Operations	723	729	683	744	736	790
Impact of Special Items	(66)	(73)	(60)	(109)	(79)	(129)
Continuing Operations as adjusted ⁽¹⁾	\$ 657	\$ 656	\$ 623	\$ 635	\$ 657	\$ 661
Research and Development Expenses						
U.S. GAAP as previously reported	\$ 173	\$ 176	\$ 172	\$ 166	\$ 165	\$ 164
Discontinued Operations - Kidney Care	43	56	45	33	35	36
U.S. GAAP Continuing Operations	130	120	127	133	130	128
Impact of Special Items	—	—	—	(4)	—	(6)
Continuing Operations as adjusted ⁽¹⁾	\$ 130	\$ 120	\$ 127	\$ 129	\$ 130	\$ 122
Goodwill Impairments						
U.S. GAAP as previously reported	\$ 430	\$ —	\$ —	\$ —	\$ —	\$ —
Discontinued Operations - Kidney Care	430	—	—	—	—	—
U.S. GAAP Continuing Operations	—	—	—	—	—	—
Other Operating (Income) Expense, net						
U.S. GAAP as previously reported	\$ (1)	\$ (3)	\$ (14)	\$ —	\$ (1)	\$ (13)
Discontinued Operations - Kidney Care	—	—	—	—	—	—
U.S. GAAP Continuing Operations	(1)	(3)	(14)	—	(1)	(13)
Impact of Special Items	—	—	13	—	1	13
Continuing Operations as adjusted ⁽¹⁾	\$ (1)	\$ (3)	\$ (1)	\$ —	\$ —	\$ —

(1) The adjusted financial measures in these schedules, which exclude the impact of special items, are non-GAAP financial measures. Refer to the tables at the end of this presentation for more detailed reconciliations of the non-GAAP measures presented herein to the most applicable U.S. GAAP measure.

BAXTER INTERNATIONAL INC.
Impact of Discontinued Operations on Prior Period U.S.
GAAP and Adjusted Results
(unaudited, in millions)

	Quarterly Results					
	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Operating Income (Loss)						
U.S. GAAP as previously reported	\$ (192)	\$ 187	\$ 329	\$ (51)	\$ (17)	\$ 129
Discontinued Operations - Kidney Care	(371)	72	25	(230)	(182)	70
U.S. GAAP Continuing Operations	179	115	304	179	165	59
Impact of Special Items	178	192	164	222	181	245
Continuing Operations as adjusted ⁽¹⁾	\$ 357	\$ 307	\$ 468	\$ 401	\$ 346	\$ 304
Adjusted operating margin ⁽¹⁾	13.3 %	12.3 %	17.1 %	15.4 %	13.4 %	12.5 %
Interest Expense, net						
U.S. GAAP as previously reported	\$ 85	\$ 78	\$ 73	\$ 128	\$ 124	\$ 117
Discontinued Operations - Kidney Care	(1)	—	1	1	1	—
U.S. GAAP Continuing Operations	86	78	72	127	123	117
Other (Income) Expense, Net						
U.S. GAAP as previously reported	\$ (20)	\$ (7)	\$ 18	\$ (7)	\$ 42	\$ (2)
Discontinued Operations - Kidney Care	4	2	7	5	10	3
U.S. GAAP Continuing Operations	(24)	(9)	11	(12)	32	(5)
Impact of Special Items	—	—	(21)	—	(10)	—
Continuing Operations as adjusted ⁽¹⁾	\$ (24)	\$ (9)	\$ (10)	\$ (12)	\$ 22	\$ (5)
Income (Loss) Before Income Taxes						
U.S. GAAP as previously reported	\$ (257)	\$ 116	\$ 238	\$ (172)	\$ (183)	\$ 14
Discontinued Operations - Kidney Care	(374)	70	17	(236)	(193)	67
U.S. GAAP Continuing Operations	117	46	221	64	10	(53)
Impact of Special Items	178	192	185	222	191	245
Continuing Operations as adjusted ⁽¹⁾	\$ 295	\$ 238	\$ 406	\$ 286	\$ 201	\$ 192
Income Tax Expense (Benefit)						
U.S. GAAP as previously reported	\$ 54	\$ 77	\$ 165	\$ (223)	\$ 10	\$ 14
Discontinued Operations - Kidney Care	32	37	163	(250)	(27)	19
U.S. GAAP Continuing Operations	22	40	2	27	37	(5)
Impact of Special Items	39	15	74	38	5	44
Continuing Operations as adjusted ⁽¹⁾	\$ 61	\$ 55	\$ 76	\$ 65	\$ 42	\$ 39

(1) The adjusted financial measures in these schedules, which exclude the impact of special items, are non-GAAP financial measures. Refer to the tables at the end of this presentation for more detailed reconciliations of the non-GAAP measures presented herein to the most applicable U.S. GAAP measure.

BAXTER INTERNATIONAL INC.
Impact of Discontinued Operations on Prior Period U.S.
GAAP and Adjusted Results
(unaudited, in millions)

	Quarterly Results					
	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Income (Loss) from Continuing Operations						
U.S. GAAP as previously reported	\$ (311)	\$ 39	\$ 73	\$ 51	\$ (193)	\$ —
Discontinued Operations - Kidney Care	(406)	33	(146)	14	(166)	48
U.S. GAAP Continuing Operations	95	6	219	37	(27)	(48)
Impact of Special Items	139	177	111	184	186	201
Continuing Operations as adjusted ⁽¹⁾	\$ 234	\$ 183	\$ 330	\$ 221	\$ 159	\$ 153
Income (Loss) from Discontinued Operations						
U.S. GAAP as previously reported	\$ —	\$ —	\$ 173	\$ 2,460	\$ 54	\$ 45
Discontinued Operations - Kidney Care	(406)	33	(146)	14	(166)	48
U.S. GAAP Continuing Operations	(406)	33	27	2,474	(112)	93
Impact of Special Items	520	117	78	(2,277)	290	52
Continuing Operations as adjusted ⁽¹⁾	\$ 114	\$ 150	\$ 105	\$ 197	\$ 178	\$ 145
Net Income Attributable to Noncontrolling Interests						
U.S. GAAP as previously reported	\$ 3	\$ 2	\$ 1	\$ 3	\$ 2	\$ 1
Discontinued Operations - Kidney Care	3	2	1	3	2	1
U.S. GAAP Continuing Operations	—	—	—	—	—	—
Diluted Income (Loss) of Continuing Operations Per Share*						
U.S. GAAP as previously reported	\$ (0.62)	\$ 0.07	\$ 0.14	\$ 0.09	\$ (0.39)	\$ 0.00
Discontinued Operations - Kidney Care	(0.81)	0.06	(0.29)	0.02	(0.34)	0.10
U.S. GAAP Continuing Operations	0.19	0.01	0.43	0.07	(0.05)	(0.10)
Impact of Special Items	0.27	0.35	0.22	0.36	0.36	0.40
Continuing Operations as adjusted ^{(1) (2)}	\$ 0.46	\$ 0.36	\$ 0.65	\$ 0.43	\$ 0.31	\$ 0.30

*Totals may not foot due to rounding

(1) The adjusted financial measures in these schedules, which exclude the impact of special items, are non-GAAP financial measures. Refer to the tables at the end of this presentation for more detailed reconciliations of the non-GAAP measures presented herein to the most applicable U.S. GAAP measure.

(2) The numerator of the adjusted earnings per share from continuing operations calculation represents adjusted income (loss) from continuing operations as shown in the preceding table, less net income attributable to noncontrolling interests for the respective periods.

BAXTER INTERNATIONAL INC.
Description of Adjustments and Reconciliation of U.S. GAAP
to Non-GAAP Measures
(unaudited, in millions)

The company's U.S. GAAP results, after presenting its Kidney Care business as a discontinued operation, for the three months ended June 30, 2024 included special items which impacted the U.S. GAAP measures as follows:

	Gross Margin	Selling, General and Administrative Expenses	Research and Development Expenses	Operating Income (Loss)	Income (Loss) From Continuing Operations Before Income Taxes	Income Tax Expense (Benefit)	Income (Loss) From Continuing Operations	Income (Loss) From Discontinued Operations	Diluted Earnings Per Share from Continuing Operations	Diluted Earnings Per Share from Discontinued Operations
U.S GAAP Continuing Operations	\$1,031	\$ 723	\$ 130	\$ 179	\$ 117	\$ 22	\$ 95	\$ (406)	\$ 0.19	\$ (0.81)
Reported percent of net sales (or effective tax rate for income tax expense (benefit))	38.3 %	26.8 %	4.8 %	6.6 %	4.3 %	18.8 %	3.5 %	(15.1)%		
Intangible asset amortization	102	(52)	—	154	154	35	119	10	0.23	0.02
Business optimization items ⁽¹⁾	1	(8)	—	9	9	3	6	9	0.01	0.02
Acquisition and integration items ⁽²⁾	—	(6)	—	6	6	1	5	—	0.01	0.00
European medical devices regulation ⁽³⁾	9	—	—	9	9	2	7	1	0.01	0.01
Separation-related costs ⁽⁴⁾	—	—	—	—	—	—	—	68	0.00	0.13
Goodwill impairments ⁽⁵⁾	—	—	—	—	—	—	—	430	0.00	0.84
Tax matters ⁽⁶⁾	—	—	—	—	—	(2)	2	2	0.00	0.01
Adjusted	\$1,143	\$ 657	\$ 130	\$ 357	\$ 295	\$ 61	\$ 234	\$ 114	\$ 0.46	\$ 0.22
Adjusted percent of net sales (or effective tax rate for income tax expense (benefit))	42.4 %	24.4 %	4.8 %	13.3 %	11.0 %	20.7 %	8.7 %	4.2 %		
					Reported	Adjusted				
Income (loss) from discontinued operations, net of tax					\$ (406)	\$ 114				
Less: Net income attributable to noncontrolling interests included in discontinued operations					3	3				
Income (loss) from discontinued operations, net of tax attributable to Baxter stockholders					\$ (409)	\$ 111				
Weighted-average diluted shares as reported										510
Effect of dilutive securities that were anti-dilutive to dilutive EPS as reported										1
Weighted-average diluted shares as adjusted										511

- (1) The company's results of continuing operations included costs related to programs to optimize its organization and cost structure which were primarily related to third-party costs incurred to support the transformation of certain general and administrative functions. The company's results of discontinued operations included costs related to property, plant, and equipment impairments in connection with the company's exit from a manufacturing facility in connection with its initiatives to optimize its global manufacturing and supply chain organization, and to centralize certain of its research and development activities.
- (2) The company's results in included acquisition and integration-related items comprised of Hill-Rom Holdings, Inc. (Hillrom) acquisition and integration expenses.
- (3) The company's results included incremental costs to comply with the European Union's medical device regulations for previously registered products, which primarily consist of contractor costs and other direct third-party costs. The company considers the adoption of these regulations to be a significant one-time regulatory change and believes that the costs of initial compliance for previously registered products over the implementation period are not indicative of its core operating results.
- (4) The company's results of discontinued operations included a separation-related costs related to external advisors supporting its activities to prepare for the pending sale of its Kidney Care segment.
- (5) The company's results of discontinued operations included a charge related to a goodwill impairment of the company's Chronic Therapies reporting unit within its Kidney Care segment.
- (6) The company's results included a state valuation allowance recorded partially offset by an adjustment to its change in permanent reinvestment assertion that it allocated to continuing operations.

BAXTER INTERNATIONAL INC.
Description of Adjustments and Reconciliation of U.S. GAAP
to Non-GAAP Measures
(unaudited, in millions)

The company's U.S. GAAP results, after presenting its Kidney Care business as a discontinued operation, for the three months ended March 31, 2024 included special items which impacted the U.S. GAAP measures as follows:

	Gross Margin	Selling, General and Administrative Expenses	Operating Income (Loss)	Income (Loss) From Continuing Operations Before Income Taxes	Income Tax Expense (Benefit)	Income (Loss) From Continuing Operations	Income From Discontinued Operations	Diluted Earnings Per Share from Continuing Operations	Diluted Earnings Per Share from Discontinued Operations
U.S GAAP Continuing Operations	\$ 961	\$ 729	\$ 115	\$ 46	\$ 40	\$ 6	\$ 33	\$ 0.01	\$ 0.06
Reported percent of net sales (or effective tax rate for income tax expense (benefit))	38.6 %	29.3 %	4.6 %	1.8 %	87.0 %	0.2 %	1.3 %		
Intangible asset amortization	106	(52)	158	158	38	120	6	0.24	0.01
Business optimization items ⁽¹⁾	5	(17)	22	22	6	16	26	0.03	0.05
Acquisition and integration items ⁽²⁾	1	(4)	5	5	1	4	—	0.01	0.00
European medical devices regulation ⁽³⁾	7	—	7	7	2	5	1	0.01	0.00
Separation-related costs ⁽⁴⁾	—	—	—	—	—	—	79	0.00	0.15
Tax matters ⁽⁵⁾	—	—	—	—	(32)	32	5	0.06	0.01
Adjusted	\$1,080	\$ 656	\$ 307	\$ 238	\$ 55	\$ 183	\$ 150	\$ 0.36	\$ 0.29
Adjusted percent of net sales (or effective tax rate for income tax expense (benefit))	43.4 %	26.3 %	12.3 %	9.6 %	23.1 %	7.3 %	6.0 %		
				Reported	Adjusted				
Income from discontinued operations, net of tax				\$ 33	\$ 150				
Less: Net income attributable to noncontrolling interests included in discontinued operations				2	2				
Income from discontinued operations, net of tax attributable to Baxter stockholders				\$ 31	\$ 148				

- 1) The company's results of continuing operations included to programs to optimize its organization and cost structure, primarily related to the implementation of a new operating model intended to simplify and streamline its operations and better align its manufacturing and supply chain to its commercial activities and to a lesser extent, third-party costs incurred to support the transformation of certain general and administrative functions. The company's results of discontinued operations included costs primarily related to a program to centralize certain of its research and development activities into a new location.
- 2) The company's results included acquisition and integration-related items comprised of Hillrom acquisition and integration expenses.
- 3) The company's results included incremental costs to comply with the European Union's medical device regulations for previously registered products, which primarily consist of contractor costs and other direct third-party costs. The company considers the adoption of these regulations to be a significant one-time regulatory change and believes that the costs of initial compliance for previously registered products over the implementation period are not indicative of its core operating results.
- 4) The company's results of discontinued operations included a separation-related costs related to external advisors supporting its activities to prepare for the pending sale of its Kidney Care segment.
- 5) The company's results included a change in its permanent reinvestment assertion that it allocated to continuing operations and a reallocation of income tax expense between discontinued operations and continuing operations resulting from the application of intraperiod tax allocation to its adjusted results in an interim period.

BAXTER INTERNATIONAL INC.
Description of Adjustments and Reconciliation of U.S. GAAP
to Non-GAAP Measures
(unaudited, in millions)

The company's U.S. GAAP results, after presenting its Kidney Care business as a discontinued operation, for the three months ended December 31, 2023 included special items which impacted the U.S. GAAP measures as follows:

	Gross Margin	Selling, General and Administrative Expenses	Other Operating (Income) Expense, Net	Operating Income (Loss)	Other (Income) Expense, Net	Income (Loss) From Continuing Operations Before Income Taxes	Income Tax Expense (Benefit)	Income (Loss) From Continuing Operations	Income From Discontinued Operations	Diluted Earnings Per Share from Continuing Operations	Diluted Earnings Per Share from Discontinued Operations
U.S GAAP Continuing Operations	\$1,100	\$ 683	\$ (14)	\$ 304	\$ 11	\$ 221	\$ 2	\$ 219	\$ 27	\$ 0.43	\$ 0.05
Reported percent of net sales (or effective tax rate for income tax expense (benefit))	40.3 %	25.0 %	(0.5)%	11.1 %	0.4 %	8.1 %	0.9 %	8.0 %	1.0 %		
Intangible asset amortization	104	(52)	—	156	—	156	44	112	12	0.22	0.02
Business optimization items ⁽¹⁾	4	(3)	—	7	—	7	31	(24)	14	(0.05)	0.03
Acquisition and integration items ⁽²⁾	—	(3)	5	(2)	—	(2)	—	(2)	—	0.00	0.00
European medical devices regulation ⁽³⁾	9	—	—	9	—	9	1	8	1	0.02	0.00
Long-lived asset impairments	—	—	—	—	—	—	4	(4)	—	(0.01)	0.00
Legal matters ⁽⁴⁾	—	(2)	8	(6)	—	(6)	(1)	(5)	—	(0.01)	0.00
Investment impairments ⁽⁵⁾	—	—	—	—	(21)	21	(7)	28	6	0.06	0.01
Separation-related costs ⁽⁶⁾	—	—	—	—	—	—	—	—	71	0.00	0.14
Gain on BPS Sale ⁽⁷⁾	—	—	—	—	—	—	—	—	15	0.00	0.03
Tax matters ⁽⁸⁾	—	—	—	—	—	—	2	(2)	(41)	0.00	(0.08)
Adjusted	\$1,217	\$ 623	\$ (1)	\$ 468	\$ (10)	\$ 406	\$ 76	\$ 330	\$ 105	\$ 0.65	\$ 0.20
Adjusted percent of net sales (or effective tax rate for income tax expense (benefit))	44.6 %	22.8 %	0.0 %	17.1 %	(0.4)%	14.9 %	18.7 %	12.1 %	3.8 %		

	Reported	Adjusted
Income from discontinued operations, net of tax	\$ 27	\$ 105
Less: Net income attributable to noncontrolling interests included in discontinued operations	1	1
Income from discontinued operations, net of tax attributable to Baxter stockholders	\$ 26	\$ 104

- (1) The company's results of continuing operations included costs related to programs to optimize its organization and cost structure, primarily related to the company's implementation of its new operating model intended to simplify its operations and better align its manufacturing and supply chain to its commercial activities. The company's results of discontinued operations included actions related to its decision to close one of its U.S.-based manufacturing facilities in 2023.
- (2) The company's results included acquisition and integration-related items comprised of Hillrom acquisition and integration expenses, offset by net gains from changes in the fair value of contingent consideration liabilities.
- (3) The company's results included incremental costs to comply with the European Union's medical device regulations for previously registered products, which primarily consist of contractor costs and other direct third-party costs. The company considers the adoption of these regulations to be a significant one-time regulatory change and believes that the costs of initial compliance for previously registered products over the implementation period are not indicative of its core operating results.
- (4) The company's results included proceeds received, net of legal fees, from a settlement related to an intellectual property dispute.
- (5) The company's results included impairments of non-marketable investments in several early stage companies consisting of noncash impairment write-downs.
- (6) The company's results of discontinued operations included a separation-related costs related to external advisors supporting its activities to prepare for the pending sale of its Kidney Care segment and related to the sale of its BioPharma Solutions (BPS) business.
- (7) The company's results of discontinued operations included adjustments to its third quarter 2023 gain from the sale of its BPS business, related to final working capital and transaction cost amounts.
- (8) The company's results included a valuation allowance decrease related to its estimated recoverability of a deferred tax asset for a net asset step-up related to Swiss tax reform legislation enacted during 2019 that is amortizable as a tax deduction ratably over tax years 2025 through 2029 and a reallocation of income tax expense between discontinued operations and continuing operations resulting from the application of intraperiod tax allocation to its adjusted results in an interim period.

BAXTER INTERNATIONAL INC.
Description of Adjustments and Reconciliation of U.S. GAAP
to Non-GAAP Measures
(unaudited, in millions)

The company's U.S. GAAP results, after presenting its Kidney Care business as a discontinued operation, for the three months ended September 30, 2023 included special items which impacted the U.S. GAAP measures as follows:

	Gross Margin	Selling, General and Administrative Expenses	Research and Development Expenses	Operating Income (Loss)	Income (Loss) From Continuing Operations Before Income Taxes	Income Tax Expense (Benefit)	Income (Loss) From Continuing Operations	Income From Discontinued Operations	Diluted Earnings Per Share from Continuing Operations	Diluted Earnings Per Share from Discontinued Operations
U.S GAAP Continuing Operations	\$1,056	\$ 744	\$ 133	\$ 179	\$ 64	\$ 27	\$ 37	\$ 2,474	\$ 0.07	\$ 4.86
Reported percent of net sales (or effective tax rate for income tax expense (benefit))	40.6 %	28.6 %	5.1 %	6.9 %	2.5 %	42.2 %	1.4 %	95.2 %		
Intangible asset amortization	96	(51)	—	147	147	34	113	14	0.22	0.03
Business optimization items ⁽¹⁾	—	(44)	(4)	48	48	12	36	27	0.07	0.05
Acquisition and integration items ⁽²⁾	1	(1)	—	2	2	1	1	—	0.00	0.00
European medical devices regulation ⁽³⁾	12	—	—	12	12	4	8	2	0.02	0.00
Legal matters ⁽⁴⁾	—	(13)	—	13	13	3	10	—	0.02	0.00
Separation-related costs ⁽⁵⁾	—	—	—	—	—	—	—	81	0.00	0.16
Long-lived asset impairments ⁽⁶⁾	—	—	—	—	—	—	—	205	0.00	0.40
Gain on BPS Sale ⁽⁷⁾	—	—	—	—	—	—	—	(2,603)	0.00	(5.11)
Tax matters ⁽⁸⁾	—	—	—	—	—	(16)	16	(3)	0.03	0.00
Adjusted	\$1,165	\$ 635	\$ 129	\$ 401	\$ 286	\$ 65	\$ 221	\$ 197	\$ 0.43	\$ 0.39
Adjusted percent of net sales (or effective tax rate for income tax expense (benefit))	44.8 %	24.4 %	5.0 %	15.4 %	11.0 %	22.7 %	8.5 %	7.6 %		

	Reported	Adjusted
Income from discontinued operations, net of tax	\$ 2,474	\$ 197
Less: Net income attributable to noncontrolling interests included in discontinued operations	3	3
Income from discontinued operations, net of tax attributable to Baxter stockholders	\$ 2,471	\$ 194

- (1) The company's results of continuing operations included costs related to programs to optimize its organization and cost structure, primarily related to the company's implementation of its new operating model to simplify and streamline our operations and better align its manufacturing and supply chain to its commercial activities and the integration of its acquisition of Hillrom. The company's results of discontinued operations included actions related to its decision to close one of its U.S.-based manufacturing facilities in 2023.
- (2) The company's results included acquisition and integration-related items comprised of Hillrom acquisition and integration expenses.
- (3) The company's results included incremental costs to comply with the European Union's medical device regulations for previously registered products, which primarily consist of contractor costs and other direct third-party costs. The company considers the adoption of these regulations to be a significant one-time regulatory change and believes that the costs of initial compliance for previously registered products over the implementation period are not indicative of its core operating results.
- (4) The company's results included costs, including associated legal fees, related to matters involving alleged violations of the False Claims Act related to a now-discontinued legacy Hillrom sales line and alleged injury from environmental exposure.
- (5) The company's results of discontinued operations included separation-related costs primarily related to external advisors supporting its activities to prepare for the pending sale of its Kidney Care segment and, to a lesser extent, separation-related costs related to the sale of its BioPharma Solutions (BPS) business.
- (6) The company's results of discontinued operations included long-lived asset impairment charges related to the Hemodialysis business within its Kidney Care segment.
- (7) The company's results of discontinued operations included a gain from the sale of its BPS business.
- (8) The company's results included an increase in a valuation allowance in a foreign jurisdiction resulting from changes in future projected income and a reallocation of income tax expense between discontinued operations and continuing operations resulting from the application of intraperiod tax allocation to its adjusted results in an interim period.

BAXTER INTERNATIONAL INC.
Description of Adjustments and Reconciliation of U.S. GAAP
to Non-GAAP Measures
(unaudited, in millions)

The company's U.S. GAAP results, after presenting its Kidney Care business as a discontinued operation, for the three months ended June 30, 2023 included special items which impacted the U.S. GAAP measures as follows:

	Gross Margin	Selling, General and Administrative Expenses	Other Operating (Income) Expense, Net	Operating Income (Loss)	Other (Income) Expense, Net	Income (Loss) From Continuing Operations Before Income Taxes	Income Tax Expense (Benefit)	Income (Loss) From Continuing Operations	Income (Loss) From Discontinued Operations	Diluted Earnings Per Share from Continuing Operations	Diluted Earnings Per Share from Discontinued Operations
U.S. GAAP Continuing Operations	\$1,030	\$ 736	\$ (1)	\$ 165	\$ 32	\$ 10	\$ 37	\$ (27)	\$ (112)	\$ (0.05)	\$ (0.23)
Reported percent of net sales (or effective tax rate for income tax expense (benefit))	39.8 %	28.4 %	0.0 %	6.4 %	1.2 %	0.4 %	370.0 %	(1.0)%	(4.3)%		
Intangible asset amortization	89	(52)	—	141	—	141	33	108	11	0.21	0.02
Business optimization items ⁽¹⁾	4	(19)	—	23	—	23	6	17	233	0.03	0.46
Acquisition and integration items ⁽²⁾	—	(8)	1	7	—	7	2	5	—	0.01	0.00
European medical devices regulation ⁽³⁾	10	—	—	10	—	10	3	7	1	0.01	0.01
Investment impairments ⁽⁴⁾	—	—	—	—	(10)	10	3	7	8	0.01	0.02
Separation-related costs ⁽⁵⁾	—	—	—	—	—	—	—	—	45	0.00	0.09
Tax matters ⁽⁶⁾	—	—	—	—	—	—	(42)	42	(8)	0.08	(0.01)
Adjusted	\$1,133	\$ 657	\$ —	\$ 346	\$ 22	\$ 201	\$ 42	\$ 159	\$ 178	\$ 0.31	\$ 0.35
Adjusted percent of net sales (or effective tax rate for income tax expense (benefit))	43.7 %	25.4 %	0.0 %	13.4 %	0.8 %	7.8 %	20.9 %	6.1 %	6.9 %		
						<u>Reported</u>	<u>Adjusted</u>				
Income (Loss) from discontinued operations, net of tax						\$ (112)	\$ 178				
Less: Net income attributable to noncontrolling interests included in discontinued operations						2	2				
Income from discontinued operations, net of tax attributable to Baxter stockholders						\$ (114)	\$ 176				
Weighted-average diluted shares as reported											506
Effect of dilutive securities that were anti-dilutive to dilutive EPS as reported											2
Weighted-average diluted shares as adjusted											508

- (1) The company's results of continuing operations included costs related to programs to optimize its organization and cost structure, primarily related to the company's implementation of its new operating model to simplify and streamline our operations and better align its manufacturing and supply chain to its commercial activities and the integration of its acquisition of Hillrom. The company's results of discontinued operations primarily related to the decision to cease production of dialyzers at one of its U.S.-based manufacturing facilities which resulted in a noncash impairment of property, plant and equipment.
- (2) The company's results included acquisition and integration-related items comprised of Hillrom acquisition and integration expenses, partially offset by net gains from changes in the fair value of contingent consideration liabilities.
- (3) The company's results included incremental costs to comply with the European Union's medical device regulations for previously registered products, which primarily consist of contractor costs and other direct third-party costs. The company considers the adoption of these regulations to be a significant one-time regulatory change and believes that the costs of initial compliance for previously registered products over the implementation period are not indicative of its core operating results.
- (4) The company's results included impairments of non-marketable investments in several early stage companies consisting of noncash impairment write-downs.
- (5) The company's results of discontinued operations included separation-related costs related to external advisors supporting its activities to prepare for the pending sale of its Kidney Care segment and separation-related costs related to the sale of its BioPharma Solutions business.
- (6) The company's results included a \$30 million increase related to its estimated recoverability of a deferred tax asset for a net asset step-up related to Swiss tax reform legislation enacted during 2019 that is amortizable as a tax deduction ratably over tax years 2025 through 2029, an increase in a valuation allowance in the U.S. resulting from changes in future projected income and a reallocation of income tax expense between discontinued operations and continuing operations resulting from the application of intraperiod tax allocation to its adjusted results in an interim period.

BAXTER INTERNATIONAL INC.
Description of Adjustments and Reconciliation of U.S. GAAP
to Non-GAAP Measures
(unaudited, in millions)

The company's U.S. GAAP results, after presenting its Kidney Care business as a discontinued operation, for the three months ended March 31, 2023 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) Expense, Net	Operating Income (Loss)	Income (Loss) From Continuing Operations Before Income Taxes	Income Tax Expense (Benefit)	Income (Loss) From Continuing Operations	Income From Discontinued Operations	Diluted Earnings Per Share from Continuing Operations	Diluted Earnings Per Share from Discontinued Operations
U.S GAAP Continuing Operations	\$ 964	\$ 790	\$ 128	\$ (13)	\$ 59	\$ (53)	\$ (5)	\$ (48)	\$ 93	\$ (0.10)	\$ 0.19
Reported percent of net sales (or effective tax rate for income tax expense (benefit))	39.5 %	32.4 %	5.2 %	(0.5)%	2.4 %	(2.2)%	9.4 %	(2.0)%	3.8 %		
Intangible asset amortization	94	(52)	—	—	146	146	32	114	12	0.22	0.03
Business optimization items ⁽¹⁾	19	(71)	(6)	—	96	96	20	76	31	0.15	0.06
Acquisition and integration items ⁽²⁾	—	(6)	—	13	(7)	(7)	(2)	(5)	—	(0.01)	0.00
European medical devices regulation ⁽³⁾	10	—	—	—	10	10	3	7	2	0.01	0.01
Separation-related costs ⁽⁴⁾	—	—	—	—	—	—	—	—	16	0.00	0.03
Tax matters ⁽⁵⁾	—	—	—	—	—	—	(9)	9	(9)	0.02	(0.02)
Adjusted	\$1,087	\$ 661	\$ 122	\$ —	\$ 304	\$ 192	\$ 39	\$ 153	\$ 145	\$ 0.30	\$ 0.29
Adjusted percent of net sales (or effective tax rate for income tax expense (benefit))	44.5 %	27.1 %	5.0 %	0.0 %	12.5 %	7.9 %	20.3 %	6.3 %	5.9 %		
						<u>Reported</u>					
Income from discontinued operations, net of tax						<u>\$ 93</u>			<u>Adjusted</u>		
Less: Net income attributable to noncontrolling interests included in discontinued operations						<u>1</u>			<u>1</u>		
Income from discontinued operations, net of tax attributable to Baxter stockholders						<u>\$ 92</u>			<u>\$ 144</u>		
Weighted-average diluted shares as reported										<u>505</u>	
Effect of dilutive securities that were anti-dilutive to dilutive EPS as reported										<u>2</u>	
Weighted-average diluted shares as adjusted										<u>507</u>	

- (1) The company's results of continuing operations included costs related to programs to optimize its organization and cost structure, primarily related to the company's implementation of its new operating model to simplify and streamline our operations and better align its manufacturing and supply chain to its commercial activities. The company's results of discontinued operations included costs primarily included costs related to property, plant, and equipment impairments in connection with the company's exit from a manufacturing facility in connection with its initiatives to optimize its global manufacturing and supply chain organization.
- (2) The company's results included acquisition and integration-related items comprised of Hillrom acquisition and integration expenses, offset by net gains from changes in the fair value of contingent consideration liabilities.
- (3) The company's results included incremental costs to comply with the European Union's medical device regulations for previously registered products, which primarily consist of contractor costs and other direct third-party costs. The company considers the adoption of these regulations to be a significant one-time regulatory change and believes that the costs of initial compliance for previously registered products over the implementation period are not indicative of its core operating results.
- (4) The company's results of discontinued operations included separation-related costs related to external advisors supporting its activities to prepare for the pending sale of its Kidney Care segment, as well as separation-related costs related to the sale of its BioPharma Solutions business.
- (5) The company's results included a reallocation of income tax expense between discontinued operations and continuing operations resulting from the application of intraperiod tax allocation to its adjusted results in an interim period.

BAXTER INTERNATIONAL INC.
Reconciliation of Non-GAAP Financial Measure
Change in Net Sales Growth As Reported to Constant Currency Sales Growth

	Quarterly Net Sales						Full Year Net Sales		
	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	2023	2022 ⁽¹⁾	2021
Continuing Operations Sales Growth - Reported	4 %	2 %	6 %	4 %	4 %	(1)%	3 %	35 %	11 %
Foreign Exchange	1 %	0 %	(1)%	(1)%	1 %	2 %	0 %	4 %	(2)%
Continuing Operations Sales Growth - Constant Currency*	5 %	2 %	5 %	3 %	5 %	1 %	3 %	39 %	9 %

⁽¹⁾ The company's Healthcare Systems and Technologies (HST) segment was added with its acquisition of Hill-Rom Holdings, Inc. (Hillrom) in December 2021. The sales growth in 2022 is reflective of the prior year net sales for that segment over the 18-day period from the acquisition date through year-end.



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**SUPPLEMENTAL
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INFORMATION**

November 7, 2024