

**BAXTER INTERNATIONAL INC.**  
**Consolidated Statements of Income**  
**Three Months Ended March 31, 2019 and 2018**  
**(unaudited)**  
(in millions, except per share and percentage data)

	Three Months Ended March 31,		Change
	2019	2018	
NET SALES	\$2,632	\$2,677	(2%)
COST OF SALES	1,552	1,563	(1%)
<b>GROSS MARGIN</b>	<b>1,080</b>	<b>1,114</b>	<b>(3%)</b>
<i>% of Net Sales</i>	<b>41.0%</b>	41.6%	(0.6 pts)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	600	622	(4%)
<i>% of Net Sales</i>	<b>22.8%</b>	23.2%	(0.4 pts)
RESEARCH AND DEVELOPMENT EXPENSES	129	140	(8%)
<i>% of Net Sales</i>	<b>4.9%</b>	5.2%	(0.3 pts)
OTHER OPERATING INCOME, NET	(33)	(80)	(59%)
<b>OPERATING INCOME</b>	<b>384</b>	<b>432</b>	<b>(11%)</b>
<i>% of Net Sales</i>	<b>14.6%</b>	16.1%	(1.5 pts)
NET INTEREST EXPENSE	18	12	50%
OTHER INCOME, NET	(25)	(18)	39%
<b>INCOME BEFORE INCOME TAXES</b>	<b>391</b>	<b>438</b>	<b>(11%)</b>
INCOME TAX EXPENSE	44	49	(10%)
<i>% of Income before Income Taxes</i>	<b>11.3%</b>	11.2%	0.1 pts
<b>NET INCOME</b>	<b>\$347</b>	<b>\$389</b>	<b>(11%)</b>
<b>NET INCOME PER COMMON SHARE</b>			
Basic	\$0.68	\$0.72	(6%)
Diluted	\$0.66	\$0.71	(7%)
<b>WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
Basic	512	539	
Diluted	522	551	
ADJUSTED OPERATING INCOME (excluding special items)	\$450 <sup>A</sup>	\$448 <sup>A</sup>	0%
ADJUSTED INCOME BEFORE INCOME TAXES (excluding special items)	\$457 <sup>A</sup>	\$454 <sup>A</sup>	1%
ADJUSTED NET INCOME (excluding special items)	\$399 <sup>A</sup>	\$388 <sup>A</sup>	3%
ADJUSTED DILUTED EPS (excluding special items)	\$0.76 <sup>A</sup>	\$0.70 <sup>A</sup>	9%

<sup>A</sup> Refer to page 7 for a description of the adjustments and a reconciliation to GAAP measures.

**BAXTER INTERNATIONAL INC.**  
**Note to Consolidated Statements of Income**  
**Three Months Ended March 31, 2019 and 2018**  
**Description of Adjustments and Reconciliation of GAAP to Non-GAAP Measures**  
**(unaudited)**  
**(In millions, except per share and percentage data)**

The company's GAAP results for the three months ended March 31, 2019 and 2018 included special items which impacted the GAAP measures as follows:

	Three Months Ended		Change
	March 31,		
	2019	2018	
<b>Gross Margin</b>	<b>\$1,080</b>	<b>\$1,114</b>	(3%)
Intangible asset amortization expense <sup>1</sup>	43	41	
Business optimization items <sup>2</sup>	19	6	
Acquisition and integration expense <sup>3</sup>	5	3	
Litigation <sup>4</sup>	-	8	
European medical devices regulation <sup>5</sup>	4	-	
<b>Adjusted Gross Margin</b>	<b>\$1,151</b>	<b>\$1,172</b>	(2%)
<b>% of Net Sales</b>	<b>43.7%</b>	43.8%	(0.1 pts)
<b>Selling, General and Administrative Expenses</b>	<b>\$600</b>	<b>\$622</b>	(4%)
Business optimization items <sup>2</sup>	(8)	(29)	
Acquisition and integration expense <sup>3</sup>	(5)	(4)	
Litigation <sup>4</sup>	-	(2)	
<b>Adjusted Selling, General and Administrative Expenses</b>	<b>\$587</b>	<b>\$587</b>	0%
<b>% of Net Sales</b>	<b>22.3%</b>	21.9%	0.4 pts
<b>Research and Development Expenses</b>	<b>\$129</b>	<b>\$140</b>	(8%)
Business optimization items <sup>2</sup>	(11)	(3)	
Acquisition and integration expense <sup>3</sup>	(4)	-	
<b>Adjusted Research and Development Expenses</b>	<b>\$114</b>	<b>\$137</b>	(17%)
<b>% of Net Sales</b>	<b>4.3%</b>	5.1%	(0.8 pts)
<b>Other Operating Income, Net</b>	<b>\$(33)</b>	<b>\$(80)</b>	(59%)
Insurance recovery from legacy product-related matter <sup>6</sup>	33	-	
Claris settlement <sup>7</sup>	-	80	
<b>Adjusted Other Operating Income</b>	<b>\$-</b>	<b>\$-</b>	0%
<b>% of Net Sales</b>	<b>0.0%</b>	0.0%	0.0 pts
<b>Operating Income</b>	<b>\$384</b>	<b>\$432</b>	(11%)
Impact of special items	66	16	
<b>Adjusted Operating Income</b>	<b>\$450</b>	<b>\$448</b>	0%
<b>% of Net Sales</b>	<b>17.1%</b>	16.7%	0.4 pts
<b>Income Before Income Taxes</b>	<b>\$391</b>	<b>\$438</b>	(11%)
Impact of special items	66	16	
<b>Adjusted Income Before Income Taxes</b>	<b>\$457</b>	<b>\$454</b>	1%
<b>Income Tax Expense</b>	<b>\$44</b>	<b>\$49</b>	(10%)
Impact of special items and impact of U.S. Tax Reform <sup>8</sup>	14	17	
<b>Adjusted Income Tax Expense</b>	<b>\$58</b>	<b>\$66</b>	(12%)
<b>% of Adjusted Income before Income Taxes</b>	<b>12.7%</b>	14.6%	(1.8 pts)
<b>Net Income</b>	<b>\$347</b>	<b>\$389</b>	(11%)
Impact of special items	52	(1)	
<b>Adjusted Net Income</b>	<b>\$399</b>	<b>\$388</b>	3%
<b>Diluted EPS from Net Income</b>	<b>\$0.66</b>	<b>\$0.71</b>	(7%)
Impact of special items	0.10	(0.01)	
<b>Adjusted Diluted EPS from Net Income</b>	<b>\$0.76</b>	<b>\$0.70</b>	9%
<b>WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
<b>Diluted</b>	<b>522</b>	<b>551</b>	

<sup>1</sup> The company's results in 2019 and 2018 included intangible asset amortization expense of \$43 million (\$33 million, or \$0.06 per diluted share, on an after-tax basis) and \$41 million (\$36 million, or \$0.06 per diluted share, on an after-tax basis), respectively.

<sup>2</sup> The company's results in 2019 included charges of \$38 million (\$30 million, or \$0.06 per diluted share, on an after-tax basis) related to business optimization charges. This included charges of \$25 million related to restructuring activities, \$10 million of costs to implement business optimization programs, which primarily included external consulting and internal transition costs, and \$3 million of accelerated depreciation associated with facilities to be closed. The \$25 million of restructuring charges included \$8 million of employee termination costs, \$10 million of asset impairment charges related to facility closures and \$7 million of other exit costs.  
The company's results in 2018 included charges of \$38 million (\$34 million, or \$0.06 per diluted share, on an after-tax basis) related to business optimization charges. This included charges of \$12 million related to restructuring activities, \$25 million of costs to implement business optimization programs, which primarily included external consulting and internal transition costs, and \$1 million of accelerated depreciation associated with facilities to be closed. The \$12 million of restructuring charges included \$10 million of employee termination costs and \$2 million of asset impairment charges related to facility closures.

<sup>3</sup> The company's results in 2019 included \$10 million (\$8 million, or \$0.01 per diluted share, on an after-tax basis) of acquisition and integration expenses related to its acquisitions of Claris Injectables Limited (Claris) and the RECOTHROM and PREVELEAK products in prior periods as well as the 2019 acquisition of an in-process research and development asset of \$4 million (\$3 million, or \$0.01 per diluted share, on an after-tax basis). The company's results in 2018 included acquisition and integration expenses of \$7 million (\$6 million, or \$0.01 per diluted share, on an after-tax basis) related to its acquisition of Claris.

<sup>4</sup> The company's results in 2018 included a charge of \$10 million (\$9 million, or \$0.01 per diluted share, on an after-tax basis) related to certain product litigation.

<sup>5</sup> The company's results in 2019 included costs of \$4 million (\$3 million, or \$0.01 per diluted share, on an after-tax basis) related to updating its quality systems and product labeling to comply with the new medical device reporting regulation and other requirements of the European Union's regulations for medical devices that will become effective in 2020.

<sup>6</sup> The company's results in 2019 included a benefit of \$33 million (\$25 million, or \$0.05 per diluted share, on an after-tax basis) related to its allocation of insurance proceeds received pursuant to a settlement and cost-sharing agreement for a legacy product-related matter.

<sup>7</sup> The company's results in 2018 included a benefit of \$80 million (\$78 million, or \$0.14 per diluted share, on an after-tax basis) for the settlement of certain claims related to the acquired operations of Claris.

<sup>8</sup> Reflected in this item is the income tax impact of the special items identified in this table. Additionally, the company's results in 2018 included a tax benefit of \$8 million, or \$0.01 per diluted share, related to updates to the estimated impact of U.S. federal tax reform previously made in 2017. The tax effect of each adjustment is based on the jurisdiction in which the adjustment is incurred and the tax laws in effect for each such jurisdiction.

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.

**BAXTER INTERNATIONAL INC.**  
**Sales by Operating Segment**  
**Periods Ending March 31, 2019 and 2018**  
**(unaudited)**  
**(\$ in millions)**

	Q1 2019	Q1 2018	% Growth @ Actual Rates	% Growth @ Constant Rates
Americas	\$1,408	\$1,442	(2%)	(1%)
EMEA	705	724	(3%)	4%
APAC	519	511	2%	7%
<b>Total Baxter</b>	<b>\$2,632</b>	<b>\$2,677</b>	<b>(2%)</b>	<b>2%</b>

**BAXTER INTERNATIONAL INC.**  
**Sales by GBU**  
**Periods Ending March 31, 2019 and 2018**  
**(unaudited)**  
**(\$ in millions)**

	Q1 2019	Q1 2018	% Growth @ Actual Rates	% Growth @ Constant Rates
Renal Care <sup>1</sup>	\$851	\$868	(2%)	3%
Medication Delivery <sup>2</sup>	634	676	(6%)	(4%)
Pharmaceuticals <sup>3</sup>	509	496	3%	6%
Clinical Nutrition <sup>4</sup>	205	223	(8%)	(5%)
Advanced Surgery <sup>5</sup>	198	182	9%	12%
Acute Therapies <sup>6</sup>	128	129	(1%)	4%
Other <sup>7</sup>	107	103	4%	8%
<b>Total Baxter</b>	<b>\$2,632</b>	<b>\$2,677</b>	<b>(2%)</b>	<b>2%</b>

<sup>1</sup> Includes sales of the company's peritoneal dialysis (PD), hemodialysis (HD) and additional dialysis therapies and services.

<sup>2</sup> Includes sales of the company's intravenous (IV) therapies, infusion pumps, administration sets and drug reconstitution devices.

<sup>3</sup> Includes sales of the company's premixed and oncology drug platforms, inhaled anesthesia and critical care products and pharmacy compounding services.

<sup>4</sup> Includes sales of the company's parenteral nutrition (PN) therapies and related products.

<sup>5</sup> Includes sales of the company's biological products and medical devices used in surgical procedures for hemostasis, tissue sealing and adhesion prevention.

<sup>6</sup> Includes sales of the company's continuous renal replacement therapies (CRRT) and other organ support therapies focused in the intensive care unit (ICU).

<sup>7</sup> Includes primarily sales of contract manufacturing services from the company's pharmaceutical partnering business.

**BAXTER INTERNATIONAL INC.**  
**GBU Sales by U.S. and International**  
**Periods Ending March 31, 2019 and 2018**  
**(unaudited)**  
**(\$ in millions)**

	Q1 2019			Q1 2018			% Growth		
	U.S.	International	Total	U.S.	International	Total	U.S.	International	Total
Renal Care	\$192	\$659	\$851	\$196	\$672	\$868	(2%)	(2%)	(2%)
Medication Delivery	406	228	634	436	240	676	(7%)	(5%)	(6%)
Pharmaceuticals	232	277	509	243	253	496	(5%)	9%	3%
Clinical Nutrition	77	128	205	83	140	223	(7%)	(9%)	(8%)
Advanced Surgery	120	78	198	99	83	182	21%	(6%)	9%
Acute Therapies	48	80	128	46	83	129	4%	(4%)	(1%)
Other	45	62	107	44	59	103	2%	5%	4%
<b>Total Baxter</b>	<b>\$1,120</b>	<b>\$1,512</b>	<b>\$2,632</b>	<b>\$1,147</b>	<b>\$1,530</b>	<b>\$2,677</b>	<b>(2%)</b>	<b>(1%)</b>	<b>(2%)</b>

BAXTER INTERNATIONAL INC.  
Free Cash Flow Reconciliation  
(unaudited)  
(\$ in millions)

	Three Months Ended March 31,	
	2019	2018
<b>Cash flows from operations - continuing operations</b>	<b>\$148</b>	<b>\$447</b>
Capital expenditures	(198)	(155)
<b>Free cash flow - continuing operations</b>	<b>(\$50)</b>	<b>\$292</b>

**BAXTER INTERNATIONAL INC.**  
**Reconciliation of Non-GAAP Financial Measure**  
**Change in Net Sales As Reported to Operational Sales**  
**From The Three Months Ended March 31, 2018 to The Three Months Ended March 31, 2019**  
**(unaudited)**

	Q1 2019*			
	Net sales As Reported	US Cyclophosphamide	FX	Operational Sales
Renal Care	(2%)	0%	5%	3%
Medication Delivery	(6%)	0%	2%	(4%)
Pharmaceuticals	3%	2%	3%	9%
Clinical Nutrition	(8%)	0%	3%	(5%)
Advanced Surgery	9%	0%	3%	12%
Acute Therapies	(1%)	0%	5%	4%
Other	4%	0%	4%	8%
<b>Total Baxter</b>	<b>(2%)</b>	<b>0%</b>	<b>4%</b>	<b>2%</b>

\*Totals may not foot due to rounding

**BAXTER INTERNATIONAL INC.**  
**Reconciliation of Non-GAAP Financial Measures**  
**Projected 2019 Adjusted Earnings Per Share and Projected GAAP Earnings Per Share, and**  
**Projected 2019 Adjusted Sales Growth and Projected GAAP Sales Growth**  
**(unaudited)**

<b>2019 Earnings Per Share Guidance</b>	<b>Q2 2019</b>	<b>FY 2019</b>
<b>Earnings per Diluted Share – Adjusted</b>	<b>\$0.80 - \$0.82</b>	<b>\$3.27 - \$3.35</b>
Estimated intangible asset amortization	\$0.07	\$0.26
Estimated business optimization charges	\$0.03 - \$0.04	\$0.13 - \$0.16
Estimated acquisition and integration expenses	\$0.02	\$0.06
Insurance recovery from legacy product-related matter	-	(\$0.05)
Estimated European medical devices regulation	\$0.01	\$0.07
<b>Earnings per Diluted Share - GAAP</b>	<b>\$0.66 - \$0.69</b>	<b>\$2.77 - \$2.88</b>

<b>2019 Sales Growth Guidance</b>	<b>Q2 2019</b>	<b>FY 2019</b>
<b>Sales Growth – Operational</b>	<b>2% - 3%</b>	<b>3% - 4%</b>
U.S. cyclophosphamide	(1%) - 0%	(1%) - 0%
Foreign exchange	(4%)	(2%) - (3%)
<b>Sales Growth - GAAP</b>	<b>(2%)</b>	<b>0% - 1%</b>