

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income (Loss)
(unaudited)
(in millions, except per share and percentage data)

	Three Months Ended December 31,		Change
	2023	2022	
NET SALES	\$ 3,885	\$ 3,745	4 %
COST OF SALES	2,413	2,357	2 %
GROSS MARGIN	1,472	1,388	6 %
<i>% of Net Sales</i>	37.9 %	37.1 %	0.8 pts
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	985	901	9 %
<i>% of Net Sales</i>	25.4 %	24.1 %	1.3 pts
RESEARCH AND DEVELOPMENT EXPENSES	172	154	12 %
<i>% of Net Sales</i>	4.4 %	4.1 %	0.3 pts
GOODWILL IMPAIRMENTS	—	27	NM
OTHER OPERATING INCOME, NET	(14)	16	NM
OPERATING INCOME (LOSS)	329	290	13 %
<i>% of Net Sales</i>	8.5 %	7.7 %	0.8 pts
INTEREST EXPENSE, NET	73	117	(38)%
OTHER (INCOME) EXPENSE, NET	18	11	64 %
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	238	162	47 %
INCOME TAX BENEFIT	165	18	NM
<i>% of Income (Loss) from Continuing Operations Before Income Taxes</i>	69.3 %	11.1 %	NM
INCOME (LOSS) FROM CONTINUING OPERATIONS	73	144	(49)%
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	173	41	NM
NET INCOME (LOSS)	246	185	33 %
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1	4	(75)%
NET INCOME (LOSS) ATTRIBUTABLE TO BAXTER STOCKHOLDERS	\$ 245	\$ 181	35 %
INCOME (LOSS) FROM CONTINUING OPERATIONS PER COMMON SHARE			
Basic	\$ 0.14	\$ 0.28	(50)%
Diluted	\$ 0.14	\$ 0.28	(50)%
INCOME FROM DISCONTINUED OPERATIONS PER COMMON SHARE			
Basic	\$ 0.34	\$ 0.08	NM
Diluted	\$ 0.34	\$ 0.08	NM
NET INCOME (LOSS) PER COMMON SHARE			
Basic	\$ 0.48	\$ 0.36	33 %
Diluted	\$ 0.48	\$ 0.36	33 %
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING			
Basic	507	504	
Diluted	509	507	
ADJUSTED OPERATING INCOME (excluding special items)¹	\$ 630	\$ 595	6 %
ADJUSTED INCOME FROM CONTINUING OPERATIONS (excluding special items)¹	\$ 449	\$ 399	13 %
ADJUSTED INCOME FROM DISCONTINUED OPERATIONS (excluding special items)¹	\$ (14)	\$ 49	NM
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER STOCKHOLDERS (excluding special items)¹	\$ 434	\$ 444	(2)%
ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS (excluding special items)¹	\$ 0.88	\$ 0.78	13 %
ADJUSTED DILUTED EPS FROM DISCONTINUED OPERATIONS (excluding special items)¹	\$ (0.03)	\$ 0.10	NM
ADJUSTED DILUTED EPS (excluding special items)¹	\$ 0.85	\$ 0.88	(3)%

¹ Refer to page 13 for a description of the adjustments and a reconciliation to U.S. GAAP measures.

NM - Not Meaningful

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 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, 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, Net of Tax	Net Income (Loss)	Net Income (Loss) Attributable to Baxter Stockholders	Diluted Earnings Per Share from Continuing Operations	Diluted Earnings Per Share from Discontinued Operations	Diluted Earnings Per Share
Reported	\$1,472	\$ 985	\$ (14)	\$ 329	\$ 18	\$ 238	\$ 165	\$ 73	\$ 173	\$ 246	\$ 245	\$ 0.14	\$ 0.34	\$ 0.48
Reported percent of net sales (or effective tax rate for income tax expense (benefit))	37.9 %	25.4 %	(0.4)%	8.5 %	0.5 %	6.1 %	69.3 %	1.9 %	4.5 %	6.3 %	6.3 %			
Intangible asset amortization	119	(52)	—	171	—	171	47	124	—	124	124	0.24	0.00	0.24
Business optimization items ¹	22	(4)	—	26	—	26	35	(9)	(1)	(10)	(10)	(0.02)	0.00	(0.02)
Acquisition and integration items ²	—	(3)	5	(2)	—	(2)	—	(2)	—	(2)	(2)	0.00	0.00	0.00
Separation-related costs ³	7	(95)	—	102	—	102	29	73	(2)	71	71	0.14	0.00	0.14
European medical devices regulation ⁴	10	—	—	10	—	10	1	9	—	9	9	0.02	0.00	0.02
Legal matters ⁵	—	(2)	8	(6)	—	(6)	(1)	(5)	—	(5)	(5)	(0.01)	0.00	(0.01)
Long-lived asset impairments ⁶	—	—	—	—	—	—	4	(4)	—	(4)	(4)	(0.01)	0.00	(0.01)
Investment impairments ⁷	—	—	—	—	(29)	29	(5)	34	—	34	34	0.07	0.00	0.07
Gain on BPS Sale ⁸	—	—	—	—	—	—	—	—	15	15	15	0.00	0.03	0.03
Tax matters ¹²	—	—	—	—	—	—	(156)	156	(199)	(43)	(43)	0.31	(0.39)	(0.08)
Adjusted	\$1,630	\$ 829	\$ (1)	\$ 630	\$ (11)	\$ 568	\$ 119	\$ 449	\$ (14)	\$ 435	\$ 434	\$ 0.88	\$ (0.03)	\$ 0.85
Adjusted percent of net sales (or effective tax rate for income tax expense (benefit))	42.0 %	21.3 %	0.0 %	16.2 %	(0.3)%	14.6 %	21.0 %	11.6 %	(0.4)%	11.2 %	11.2 %			

	Reported	Adjusted
Income (loss) from continuing operations	\$ 73	\$ 449
Less: Net income attributable to noncontrolling interests	1	1
Income (loss) from continuing operations attributable to Baxter stockholders	\$ 72	\$ 448

The company's U.S. GAAP results for the three months ended December 31, 2022 included special items which impacted the U.S. GAAP measures as follows:

	Gross Margin	Selling, General and Administrative Expenses	Research and Development Expenses	Goodwill Impairment	Other Operating 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	Net Income (Loss)	Net Income (Loss) Attributable to Baxter Stockholders	Diluted Earnings Per Share from Continuing Operations	Diluted Earnings Per Share from Discontinued Operations	Diluted Earnings Per Share
Reported	\$1,388	\$ 901	\$ 154	\$ 27	\$ 16	\$ 290	\$ 162	\$ 18	\$ 144	\$ 41	\$ 185	\$ 181	\$ 0.28	\$ 0.08	\$ 0.36
Reported percent of net sales (or effective tax rate for income tax expense (benefit))	37.1 %	24.1 %	4.1 %	0.7 %	0.4 %	7.7 %	4.3 %	11.1 %	3.8 %	1.1 %	4.9 %	4.8 %			
Intangible asset amortization	122	(53)	—	—	—	175	175	31	144	—	144	144	0.28	0.00	0.28
Business optimization items ¹	7	(23)	1	—	—	29	29	8	21	—	21	21	0.04	0.00	0.04
Acquisition and integration items ²	(1)	(27)	1	—	5	20	20	17	3	—	3	3	0.01	0.00	0.01
Separation-related costs ³	—	(7)	—	—	—	7	7	3	4	5	9	9	0.01	0.01	0.02
European medical devices regulation ⁴	13	—	—	—	—	13	13	4	9	—	9	9	0.02	0.00	0.02
Long-lived asset impairments ⁶	12	—	—	—	—	12	12	5	7	—	7	7	0.01	0.00	0.01
Goodwill impairments ⁹	—	—	—	(27)	—	27	27	—	27	—	27	27	0.05	0.00	0.05
Product-related items ¹⁰	1	—	—	—	—	1	1	—	1	—	1	1	0.00	0.00	0.00
Loss on subsidiary liquidation ¹¹	—	—	—	—	(21)	21	21	4	17	—	17	17	0.03	0.00	0.03
Tax matters ¹²	—	—	—	—	—	—	—	(22)	22	3	25	25	0.04	0.01	0.05
Adjusted	\$1,542	\$ 791	\$ 156	\$ —	\$ —	\$ 595	\$ 467	\$ 68	\$ 399	\$ 49	\$ 448	\$ 444	\$ 0.78	\$ 0.10	\$ 0.88
Adjusted percent of net sales (or effective tax rate for income tax expense)	41.2 %	21.1 %	4.2 %	0.0 %	0.0 %	15.9 %	12.5 %	14.6 %	10.7 %	1.3 %	12.0 %	11.9 %			

	Reported	Adjusted
Income (loss) from continuing operations	\$ 144	\$ 399
Less: Net income attributable to noncontrolling interests	4	4
Income (loss) from continuing operations attributable to Baxter stockholders	\$ 140	\$ 395

- The company's results in 2023 and 2022 included charges associated with its execution of programs to optimize its organization and cost structure. In 2023, these restructuring and other business optimization costs included actions related to its decision to close one its U.S.-based manufacturing facilities this year. In 2022, restructuring and business optimization costs included actions related to its integration of Hillrom.
- The company's results in 2023 and 2022 included acquisition and integration-related items comprised of Hillrom integration expenses and net gains from changes in the fair value of contingent consideration liabilities.

- 3 The company's results in 2023 and 2022 included separation-related costs primarily related to external advisors supporting its activities to prepare for the proposed separation of its Kidney Care segment, which are reported in continuing operations. The company's results in 2023 and 2022 also included separation-related costs related to the sale of its BioPharma Solutions (BPS) business, which are reported in discontinued operations.
- 4 The company's results in 2023 and 2022 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.
- 5 The company's results in 2023 included proceeds received, net of legal fees, from a settlement related to an intellectual property dispute.
- 6 The company's results in 2022 included impairments of developed technology intangible assets.
- 7 The company's results in 2023 included impairments of non-marketable investments in several early-stage companies consisting of noncash impairment write-downs.
- 8 The company's results in 2023 included adjustments to its third quarter 2023 gain from the sale of its BPS business, reported in discontinued operations, related to final working capital and transaction cost amounts.
- 9 The company's results in 2022 included goodwill impairments charges related to a reporting unit acquired in its December 2021 acquisition of Hillrom.
- 10 The company's results in 2022 included charges related to warranty and remediation activities from two field corrective actions on certain of its infusion pumps.
- 11 The company's results in 2022 included costs related to its deconsolidation of a foreign subsidiary, including the derecognition of the related noncontrolling interest, upon its liquidation in December 2022 that was completed in connection with the company's legal entity rationalization activities.
- 12 The company's results in 2023 included a \$199 million reallocation of income tax expense between discontinued operations and continuing operations resulting from the application of intraperiod tax allocation to the company's adjusted results during interim periods throughout the year. The company's results in 2023 included a \$22 million income tax benefit from an internal reorganization transaction related to the proposed separation of its Kidney Care segment. The company's results in 2023 included a \$21 million valuation allowance decrease and its results in 2022 included a \$25 million valuation allowance 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.

For more information on the company's use of non-GAAP financial measures, please see the Non-GAAP Financial Measures section of this press release.

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income (Loss)
(unaudited)
(in millions, except per share and percentage data)

	Twelve Months Ended December 31,		Change
	2023	2022	
NET SALES	\$ 14,813	\$ 14,506	2 %
COST OF SALES	9,838	9,440	4 %
GROSS MARGIN	4,975	5,066	(2)%
<i>% of Net Sales</i>	33.6 %	34.9 %	(1.3 pts)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,946	3,859	2 %
<i>% of Net Sales</i>	26.6 %	26.6 %	(0.0 pts)
RESEARCH AND DEVELOPMENT EXPENSES	667	602	11 %
<i>% of Net Sales</i>	4.5 %	4.2 %	0.3 pts
GOODWILL IMPAIRMENTS	—	2,812	NM
OTHER OPERATING INCOME, NET	(28)	36	NM
OPERATING INCOME (LOSS)	390	(2,243)	NM
<i>% of Net Sales</i>	2.6 %	(15.5)%	18.1 pts
INTEREST EXPENSE, NET	442	395	12 %
OTHER (INCOME) EXPENSE, NET	51	12	NM
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(103)	(2,650)	(96)%
INCOME TAX EXPENSE	(34)	4	NM
<i>% of Income (Loss) from Continuing Operations Before Income Taxes</i>	33.0 %	(0.2)%	33.2 pts
LOSS FROM CONTINUING OPERATIONS	(69)	(2,654)	(97)%
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	2,732	233	NM
NET INCOME (LOSS)	2,663	(2,421)	NM
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	7	12	(42)%
NET INCOME (LOSS) ATTRIBUTABLE TO BAXTER STOCKHOLDERS	\$ 2,656	\$ (2,433)	NM
INCOME (LOSS) FROM CONTINUING OPERATIONS PER COMMON SHARE			
Basic	\$ (0.15)	\$ (5.29)	(97)%
Diluted	\$ (0.15)	\$ (5.29)	(97)%
INCOME FROM DISCONTINUED OPERATIONS PER COMMON SHARE			
Basic	\$ 5.40	\$ 0.46	NM
Diluted	\$ 5.40	\$ 0.46	NM
NET INCOME (LOSS) PER COMMON SHARE			
Basic	\$ 5.25	\$ (4.83)	NM
Diluted	\$ 5.25	\$ (4.83)	NM
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING			
Basic	506	504	
Diluted	506	504	
ADJUSTED OPERATING INCOME (excluding special items)¹	\$ 2,123	\$ 2,278	(7)%
ADJUSTED INCOME (LOSS) FROM CONTINUING OPERATIONS (excluding special items)¹	\$ 1,327	\$ 1,548	(14)%
ADJUSTED INCOME FROM DISCONTINUED OPERATIONS (excluding special items)¹	\$ 161	\$ 236	(32)%
ADJUSTED NET INCOME ATTRIBUTABLE TO BAXTER STOCKHOLDERS (excluding special items)¹	\$ 1,481	\$ 1,772	(16)%
ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS (excluding special items)¹	\$ 2.60	\$ 3.03	(14)%
ADJUSTED DILUTED EPS FROM DISCONTINUED OPERATIONS (excluding special items)¹	\$ 0.32	\$ 0.47	(32)%
ADJUSTED DILUTED EPS (excluding special items)¹	\$ 2.92	\$ 3.50	(17)%

¹ Refer to page 15 for a description of the adjustments and a reconciliation to U.S. GAAP measures.
NM - Not Meaningful

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 for the twelve months ended December 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, 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, Net of Tax	Net Income (Loss)	Net Income (Loss) Attributable to Baxter Stockholders	Diluted Earnings Per Share From Continuing Operations	Diluted Earnings Per Share from Discontinued Operations	Diluted Earnings Per Share
Reported	\$4,975	\$ 3,946	\$ 667	\$ (28)	\$ 390	\$ 51	\$ (103)	\$ (34)	\$ (69)	\$ 2,732	\$2,663	\$ 2,656	\$ (0.15)	\$ 5.40	\$ 5.25
Reported percent of net sales (or effective tax rate for income tax expense (benefit))	33.6 %	26.6 %	4.5 %	(0.2)%	2.6 %	0.3 %	(0.7)%	33.0 %	(0.5)%	18.4 %	18.0 %	17.9 %			
Intangible asset amortization	445	(207)	—	—	652	—	652	153	499	—	499	499	0.98	0.00	0.98
Business optimization items ¹	349	(173)	(12)	—	534	—	534	127	407	—	407	407	0.80	0.00	0.80
Acquisition and integration items ²	1	(18)	—	19	—	—	—	1	(1)	—	(1)	(1)	0.00	0.00	0.00
Separation-related costs ³	22	(203)	—	—	225	—	225	29	196	17	213	213	0.39	0.03	0.42
European medical devices regulation ⁴	48	—	—	—	48	—	48	12	36	—	36	36	0.07	0.00	0.07
Long-lived asset impairments ⁵	267	—	—	—	267	—	267	66	201	—	201	201	0.40	0.00	0.40
Legal matters ⁶	—	(15)	—	8	7	—	7	2	5	—	5	5	0.01	0.00	0.01
Investment impairments ⁷	—	—	—	—	—	(49)	49	—	49	—	49	49	0.10	0.00	0.10
Gain on BPS Sale ⁸	—	—	—	—	—	—	—	—	—	(2,588)	(2,588)	(2,588)	0.00	(5.09)	(5.09)
Tax matters ¹⁵	—	—	—	—	—	—	—	(4)	4	—	4	4	0.01	0.00	0.01
Adjusted	\$6,107	\$ 3,330	\$ 655	\$ (1)	\$2,123	\$ 2	\$ 1,679	\$ 352	\$ 1,327	\$ 161	\$1,488	\$ 1,481	\$ 2.60	\$ 0.32	\$ 2.92
Adjusted percent of net sales (or effective tax rate for income tax expense)	41.2 %	22.5 %	4.4 %	0.0 %	14.3 %	0.0 %	11.3 %	21.0 %	9.0 %	1.1 %	10.0 %	10.0 %			

	Reported	Adjusted
Income (loss) from continuing operations	\$ (69)	\$1,327
Less: Net income attributable to noncontrolling interests	7	7
Income (loss) from continuing operations attributable to Baxter stockholders	\$ (76)	\$1,320

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

The company's U.S. GAAP results for the twelve months ended December 31, 2022 included special items which impacted the U.S. GAAP measures as follows:

	Gross Margin	Selling, General and Administrative Expenses	Research and Development Expenses	Goodwill Impairment	Other Operating 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, Net of Tax	Net Income (Loss)	Net Income (Loss) Attributable to Baxter Stockholders	Diluted Earnings Per Share From Continuing Operations	Diluted Earnings Per Share From Discontinued Operations	Diluted Earnings Per Share
Reported	\$5,066	\$ 3,859	\$ 602	\$ 2,812	\$ 36	\$(2,243)	\$ 12	\$ (2,650)	\$ 4	\$ (2,654)	\$ 233	\$(2,421)	\$ (2,433)	\$ (5.29)	\$ 0.46	\$ (4.83)
Reported percent of net sales (or effective tax rate for income tax expense (benefit))	34.9 %	26.6 %	4.2 %	19.4 %	0.2 %	(15.5)%	0.1 %	(18.3)%	(0.2)%	(18.3)%	1.6 %	(16.7)%	(16.8)%			
Intangible asset amortization	466	(287)	—	—	—	753	—	753	168	585	—	585	585	1.15	0.00	1.15
Business optimization items ¹	28	(194)	(3)	—	—	225	—	225	60	165	—	165	165	0.33	0.00	0.33
Acquisition and integration items ²	170	(82)	—	—	39	213	—	213	53	160	—	160	160	0.32	0.00	0.32
Separation-related costs ³	—	(7)	—	—	—	7	—	7	3	4	5	9	9	0.01	0.01	0.02
European medical devices regulation ⁴	48	—	—	—	—	48	—	48	12	36	—	36	36	0.07	0.00	0.07
Long-lived asset impairments ⁵	344	—	—	—	—	344	—	344	83	261	—	261	261	0.51	0.00	0.51
Pension curtailment ⁹	—	—	—	—	—	—	11	(11)	(2)	(9)	—	(9)	(9)	(0.02)	0.00	(0.02)
Product-related items ¹⁰	44	—	—	—	—	44	—	44	5	39	—	39	39	0.08	0.00	0.08
Loss on product divestiture arrangement ¹¹	—	—	—	—	(54)	54	—	54	14	40	—	40	40	0.08	0.00	0.08
Goodwill impairments ¹²	—	—	—	(2,812)	—	2,812	—	2,812	—	2,812	—	2,812	2,812	5.55	0.00	5.55
Loss on subsidiary liquidation ¹³	—	—	—	—	(21)	21	—	21	4	17	—	17	17	0.03	0.00	0.03
Reclassification of cumulative translation loss to earnings ¹⁴	—	—	—	—	—	—	(65)	65	—	65	—	65	65	0.13	0.00	0.13
Tax matters ¹⁵	—	—	—	—	—	—	—	—	(27)	27	(2)	25	25	0.05	0.00	0.05
Adjusted	\$6,166	\$ 3,289	\$ 599	\$ —	\$ —	\$2,278	\$ (42)	\$ 1,925	\$ 377	\$ 1,548	\$ 236	\$1,784	\$ 1,772	\$ 3.03	\$ 0.47	\$ 3.50
Adjusted percent of net sales (or effective tax rate for income tax expense)	42.5 %	22.7 %	4.1 %	0.0 %	0.0 %	15.7 %	(0.3)%	13.3 %	19.6 %	10.7 %	1.6 %	12.3 %	12.2 %			

	Reported	Adjusted
Income (loss) from continuing operations	\$(2,654)	\$ 1,548
Less: Net income attributable to noncontrolling interests	12	12
Income (loss) from continuing operations attributable to Baxter stockholders	\$(2,666)	\$ 1,536
Weighted-average diluted shares as reported	504	
Effect of dilutive securities that were anti-dilutive to dilutive EPS as reported	3	
Weighted-average diluted shares as adjusted	507	

- 1 The company's results of continuing operations in 2023 and 2022 included charges associated with its execution of programs to optimize its organization and cost structure. In 2023, these restructuring and other business optimization costs included actions related to its 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 its decision to close one its U.S.-based manufacturing facilities this year, which resulted in a \$243 million noncash impairment of property, plant and equipment in the first half of 2023. In 2022, restructuring and business optimization costs included actions related to its integration of Hillrom.
- 2 The company's results in 2023 and 2022 included acquisition and integration-related items comprised of Hillrom acquisition and integration expenses, including \$159 million of incremental cost of sales in 2022 from fair value step-ups on acquired Hillrom inventory, and gains from changes in the fair value of contingent consideration liabilities.
- 3 The company's results in 2023 and 2022 included separation-related costs primarily related to external advisors supporting its activities to prepare for the proposed separation of its Kidney Care segment, which are reported in continuing operations. The company's results in 2023 and 2022 also included separation-related costs related to the sale of its BioPharma Solutions (BPS) business, which are reported as in discontinued operations.
- 4 The company's results in 2023 and 2022 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.
- 5 The company's results in 2023 included long-lived asset impairment charges of \$267 million related to the Hemodialysis business within its Kidney Care segment. The company's results in 2022 included \$344 million of long-lived asset impairments, including \$332 million of impairments related to indefinite-lived intangible assets acquired in our December 2021 acquisition of Hillrom. Long-lived asset impairments presented within this special item do not include impairments of long-lived assets related to restructuring actions, which are presented within the business optimization special item described in footnote 1 above.
- 6 The company's results in 2023 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, partially offset by proceeds received, net of legal fees, from a settlement related to an intellectual property dispute.
- 7 The company's results in 2023 included impairments of non-marketable investments in several early stage companies, partially offset by a gain from the sale of an investment.
- 8 The company's results in 2023 included a \$2.59 billion gain, net of tax, from the sale of its BPS business.
- 9 The company's results in 2022 included a curtailment gain on an announced change for active non-bargaining participants in its U.S. Hillrom pension plan.
- 10 The company's results in 2022 included charges related to warranty and remediation activities from two field corrective actions on certain of its infusion pumps.
- 11 The company's results in 2022 included a loss related to an arrangement to divest certain product rights for an amount that is less than the cost of those product rights, which was triggered by U.S. and European Union regulatory approvals of the related products.
- 12 The company's results in 2022 included goodwill impairment charges related to reporting units acquired in its December 2021 acquisition of Hillrom.
- 13 The company's results in 2022 included costs related to its deconsolidation of a foreign subsidiary, including the derecognition of the related noncontrolling interest, upon its liquidation in December 2022 that was completed in connection with the company's legal entity rationalization activities.
- 14 The company's results in 2022 included a charge related to cumulative translation adjustments reclassified from accumulated other comprehensive income (loss) as a result of the substantial liquidation of its operations in Argentina.
- 15 The company's results in 2023 included a \$5 million net income tax benefit from internal reorganization transactions, primarily related to the proposed separation of its Kidney Care segment. The company's results in 2023 and 2022 included valuation allowance increases of \$9 million and \$25 million, respectively, 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.

For more information on the company's use of non-GAAP financial measures, please see the Non-GAAP Financial Measures section of this press release.

BAXTER INTERNATIONAL INC.
Sales by Operating Segment
(unaudited)
(\$ in millions)

The Medical Products and Therapies segment includes sales of our sterile IV solutions, infusion systems, administration sets, parenteral nutrition therapies and surgical hemostat, sealant and adhesion prevention products. The Healthcare Systems and Technologies segment includes sales of our connected care solutions and collaboration tools, including smart bed systems, patient monitoring systems and diagnostic technologies, respiratory health devices and advanced equipment for the surgical space, including surgical video technologies, precision positioning devices and other accessories. The Pharmaceuticals segment includes sales of specialty injectable pharmaceuticals, inhaled anesthesia and drug compounding. The Kidney Care segment includes sales of chronic and acute dialysis therapies and services, including peritoneal dialysis, hemodialysis, continuous renal replacement therapies (CRRT) and other organ support therapies. Other sales not allocated to a segment primarily include sales of products and services provided directly through certain of our manufacturing facilities.

	Three Months Ended December 31,		% Growth @ Actual Rates	% Growth @ Constant Rates	Twelve Months Ended December 31,		% Growth @ Actual Rates	% Growth @ Constant Rates
	2023	2022			2023	2022		
Infusion Therapies and Technologies	\$ 1,042	\$ 988	5 %	4 %	\$ 3,960	\$ 3,817	4 %	4 %
Advanced Surgery	278	260	7 %	6 %	1,051	998	5 %	6 %
Medical Products and Therapies	1,320	1,248	6 %	4 %	5,011	4,815	4 %	4 %
Care and Connectivity Solutions	492	441	12 %	11 %	1,800	1,791	1 %	1 %
Front Line Care	303	293	3 %	2 %	1,213	1,148	6 %	6 %
Healthcare Systems and Technologies	795	734	8 %	7 %	3,013	2,939	3 %	3 %
Injectables and Anesthesia	359	344	4 %	5 %	1,347	1,305	3 %	4 %
Drug Compounding	237	208	14 %	11 %	902	821	10 %	12 %
Pharmaceuticals	596	552	8 %	7 %	2,249	2,126	6 %	7 %
Chronic Therapies	950	970	(2)%	(3)%	3,683	3,714	(1)%	0 %
Acute Therapies	206	193	7 %	6 %	770	735	5 %	6 %
Kidney Care	1,156	1,163	(1)%	(1)%	4,453	4,449	0 %	1 %
Other	18	48	(63)%	(58)%	87	177	(51)%	(51)%
Total - Continuing Operations	\$ 3,885	\$ 3,745	4 %	3 %	\$ 14,813	\$ 14,506	2 %	3 %

In connection with our segment change in the third quarter of 2023, we reclassified \$16 million of sales from the first half of 2023 and \$34 million of sales for the year ended December 31, 2022, from Chronic Therapies to Acute Therapies to conform to the current period presentation. Additionally, in connection with the reclassification of our BPS business to discontinued operations during the second quarter of 2023, we reclassified \$2 million of contract manufacturing revenues from the first quarter of 2023 and \$37 million for the year ended December 31, 2022 from BPS to Other (within continuing operations), as the related manufacturing facility was not part of that divestiture transaction.

Constant currency growth is a non-GAAP measure. For more information on the company's use of non-GAAP financial measures, please see the Non-GAAP Financial Measures section of this press release.

BAXTER INTERNATIONAL INC.
Segment Operating Income
(unaudited)
(\$ in millions)

(in millions)	Three months ended December 31,		Twelve months ended December 31,	
	2023	2022	2023	2022
Medical Products and Therapies	\$ 266	\$ 259	\$ 972	\$ 962
<i>% of Segment Net Sales</i>	<i>20.2 %</i>	<i>20.8 %</i>	<i>19.4 %</i>	<i>20.0 %</i>
Healthcare Systems and Technologies	156	127	483	494
<i>% of Segment Net Sales</i>	<i>19.6 %</i>	<i>17.3 %</i>	<i>16.0 %</i>	<i>16.8 %</i>
Pharmaceuticals	117	96	401	391
<i>% of Segment Net Sales</i>	<i>19.6 %</i>	<i>17.4 %</i>	<i>17.8 %</i>	<i>18.4 %</i>
Kidney Care	92	101	300	408
<i>% of Segment Net Sales</i>	<i>8.0 %</i>	<i>8.7 %</i>	<i>6.7 %</i>	<i>9.2 %</i>
Other	(1)	25	18	77
Total	630	608	2,174	2,332
Unallocated corporate costs	—	(13)	(51)	(54)
Intangible asset amortization expense	(171)	(175)	(652)	(753)
Business optimization items	(26)	(29)	(534)	(225)
Acquisition and integration items	2	(20)	—	(213)
Separation-related costs	(102)	(7)	(225)	(7)
European medical devices regulation	(10)	(13)	(48)	(48)
Product-related items	—	(1)	—	(44)
Legal matters	6	—	(7)	—
Loss on product divestiture arrangement	—	—	—	(54)
Long-lived asset impairments	—	(12)	(267)	(344)
Goodwill impairments	—	(27)	—	(2,812)
Loss on subsidiary liquidation	—	(21)	—	(21)
Total operating income (loss)	329	290	390	(2,243)
Interest expense, net	73	117	442	395
Other (income) expense, net	18	11	51	12
Loss from continuing operations before income taxes	\$ 238	\$ 162	\$ (103)	\$ (2,650)

BAXTER INTERNATIONAL INC.
Operating Segment Sales by U.S. and International
(unaudited)
(\$ in millions)

	Three Months Ended December 31,								
	2023			2022			% Growth		
	U.S.	International	Total	U.S.	International	Total	U.S.	International	Total
Infusion Therapies and Technologies	\$ 573	\$ 469	\$ 1,042	\$ 569	\$ 419	\$ 988	1 %	12 %	5 %
Advanced Surgery	149	129	278	146	114	260	2 %	13 %	7 %
Medical Products and Therapies	722	598	1,320	715	533	1,248	1 %	12 %	6 %
Care and Connectivity Solutions	337	155	492	304	137	441	11 %	13 %	12 %
Front Line Care	223	80	303	222	71	293	0 %	13 %	3 %
Healthcare Systems and Technologies	560	235	795	526	208	734	6 %	13 %	8 %
Injectables and Anesthesia	209	150	359	188	156	344	11 %	(4)%	4 %
Drug Compounding	—	237	237	—	208	208	0 %	14 %	14 %
Pharmaceuticals	209	387	596	188	364	552	11 %	6 %	8 %
Chronic Therapies	235	715	950	248	722	970	(5)%	(1)%	(2)%
Acute Therapies	77	129	206	69	124	193	12 %	4 %	7 %
Kidney Care	312	844	1,156	317	846	1,163	(2)%	(0)%	(1)%
Other	14	4	18	39	9	48	(64)%	(56)%	(63)%
Total - Continuing Operations	\$ 1,817	\$ 2,068	\$ 3,885	\$ 1,785	\$ 1,960	\$ 3,745	2 %	6 %	4 %

BAXTER INTERNATIONAL INC.
Operating Segment Sales by U.S. and International
(unaudited)
(\$ in millions)

	Twelve Months Ended December 31,								
	2023			2022			% Growth		
	U.S.	International	Total	U.S.	International	Total	U.S.	International	Total
Infusion Therapies and Technologies	\$ 2,227	\$ 1,733	\$ 3,960	\$ 2,241	\$ 1,576	\$ 3,817	(1)%	10 %	4 %
Advanced Surgery	582	469	1,051	574	424	998	1 %	11 %	5 %
Medical Products and Therapies	2,809	2,202	5,011	2,815	2,000	4,815	(0)%	10 %	4 %
Care and Connectivity Solutions	1,263	537	1,800	1,295	496	1,791	(2)%	8 %	1 %
Front Line Care	905	308	1,213	840	308	1,148	8 %	0 %	6 %
Healthcare Systems and Technologies	2,168	845	3,013	2,135	804	2,939	2 %	5 %	3 %
Injectables and Anesthesia	759	588	1,347	682	623	1,305	11 %	(6)%	3 %
Drug Compounding	—	902	902	—	821	821	0 %	10 %	10 %
Pharmaceuticals	759	1,490	2,249	682	1,444	2,126	11 %	3 %	6 %
Chronic Therapies	927	2,756	3,683	923	2,791	3,714	0 %	(1)%	(1)%
Acute Therapies	271	499	770	263	472	735	3 %	6 %	5 %
Kidney Care	1,198	3,255	4,453	1,186	3,263	4,449	1 %	(0)%	0 %
Other	66	21	87	137	40	177	(52)%	(48)%	(51)%
Total - Continuing Operations	\$ 7,000	\$ 7,813	\$14,813	\$ 6,955	\$ 7,551	\$14,506	1 %	3 %	2 %

BAXTER INTERNATIONAL INC.
Reconciliation of Non-GAAP Financial Measure
Operating Cash Flow to Free Cash Flow
(unaudited)
(\$ in millions)

	Twelve Months Ended December 31,	
	2023	2022
Cash flows from operations – continuing operations	\$ 1,702	\$ 1,031
Cash flows from investing activities - continuing operations	(672)	(872)
Cash flows from financing activities - continuing operations	(3,489)	(1,438)
Cash flows from operations - continuing operations	\$ 1,702	\$ 1,031
Capital expenditures - continuing operations	(692)	(620)
Free cash flow - continuing operations	\$ 1,010	\$ 411

	Twelve Months Ended December 31,	
	2023	2022
Cash flows from operations – discontinued operations	\$ 24	180
Cash flows from investing activities - discontinued operations	3,885	(59)
Cash flows from operations - discontinued operations	\$ 24	\$ 180
Capital expenditures - discontinued operations	(27)	(59)
Free cash flow - discontinued operations	\$ (3)	\$ 121

	Twelve Months Ended December 31,	
	2023	2022
Cash flows from operations – Total Baxter	\$ 1,726	\$ 1,211
Cash flows from investing activities - Total Baxter	3,213	(931)
Cash flows from financing activities - Total Baxter	(3,489)	(1,438)
Cash flows from operations - Total Baxter	\$ 1,726	\$ 1,211
Capital expenditures - Total Baxter	(719)	(679)
Free cash flow - Total Baxter	\$ 1,007	\$ 532

Free cash flow is a non-GAAP measure. For more information on the company's use of non-GAAP financial measures, please see the Non-GAAP Financial Measures section of this press release.

BAXTER INTERNATIONAL INC.
Reconciliation of Non-GAAP Financial Measure
Change in Net Sales Growth As Reported to Constant Currency Sales Growth
From The Three Months Ended December 31, 2022 to The Three Months Ended December 31, 2023
(unaudited)

	Net Sales Growth As Reported	FX	Constant Currency Sales Growth*
Infusion Therapies and Technologies	5 %	(1) %	4 %
Advanced Surgery	7 %	(1) %	6 %
Medical Products and Therapies	6 %	(2)%	4 %
Care and Connectivity Solutions	12 %	(1) %	11 %
Front Line Care	3 %	(1) %	2 %
Healthcare Systems and Technologies	8 %	(1)%	7 %
Injectables and Anesthesia	4 %	1 %	5 %
Drug Compounding	14 %	(3)%	11 %
Pharmaceuticals	8 %	(1)%	7 %
Chronic Therapies	(2)%	(1) %	(3) %
Acute Therapies	7 %	(1) %	6 %
Kidney Care	(1)%	0 %	(1)%
Other	(63)%	5 %	(58)%
Total - Continuing Operations	4 %	(1) %	3 %

*Totals may not add across due to rounding

Constant currency sales growth is a non-GAAP measure. For more information on the company's use of non-GAAP financial measures, please see the Non-GAAP Financial Measures section of this press release.

BAXTER INTERNATIONAL INC.
Reconciliation of Non-GAAP Financial Measure
Change in Net Sales Growth As Reported to Constant Currency Sales Growth
From The Twelve Months Ended December 31, 2022 to The Twelve Months Ended December 31, 2023
(unaudited)

	Net Sales Growth As Reported	FX	Constant Currency Sales Growth*
Infusion Therapies and Technologies	4 %	0 %	4 %
Advanced Surgery	5 %	1 %	6 %
Medical Products and Therapies	4 %	0 %	4 %
Care and Connectivity Solutions	1 %	0 %	1 %
Front Line Care	6 %	0 %	6 %
Healthcare Systems and Technologies	3 %	0 %	3 %
Injectables and Anesthesia	3 %	1 %	4 %
Drug Compounding	10 %	2 %	12 %
Pharmaceuticals	6 %	1 %	7 %
Chronic Therapies	(1)%	1 %	0 %
Acute Therapies	5 %	1 %	6 %
Kidney Care	0 %	1 %	1 %
Other	(51)%	0 %	(51)%
Total - Continuing Operations	2 %	1 %	3 %

*Totals may not add across due to rounding

Constant currency sales growth is a non-GAAP measure. For more information on the company's use of non-GAAP financial measures, please see the Non-GAAP Financial Measures section of this press release.

BAXTER INTERNATIONAL INC.
Projected First Quarter and Full Year 2024 U.S. GAAP Sales Growth to Projected Constant Currency Sales Growth
and Projected First Quarter and Full Year 2024 Adjusted Earnings Per Share
(unaudited)

Sales Growth Guidance	Q1 2024*	FY 2024*
Sales growth - U.S. GAAP	~ 1%	~ 2%
Foreign Exchange	< 50 bps	~ 0%
Sales growth - Constant currency	1% - 2%	~ 2%

Adjusted Earnings Per Share Guidance	Q1 2024	FY 2024
Adjusted diluted EPS	\$0.59 - \$0.62	\$2.85 - \$2.95

*Totals may not foot due to rounding

Baxter calculates forward-looking non-GAAP financial measures based on forecasts that omit certain amounts that would be included in GAAP financial measures. For instance, forward-looking adjusted diluted EPS guidance excludes potential charges or gains that would be reflected as non-GAAP adjustments to earnings. Baxter provides forward-looking adjusted diluted EPS guidance because it believes that this measure provides useful information for the reasons noted in the accompanying release. Baxter has not provided reconciliations of forward-looking adjusted EPS guidance to forward-looking GAAP EPS guidance because the company is unable to predict with reasonable certainty the impact of legal proceedings, future business optimization actions, separation-related costs, integration-related costs, asset impairments and unusual gains and losses, and the related amounts are unavailable without unreasonable efforts (as specified in the exception provided by Item 10(e)(1)(i)(B) of Regulation S-K). In addition, Baxter believes that such reconciliations would imply a degree of precision and certainty that could be confusing to investors. Such items could have a substantial impact on GAAP measures of financial performance.