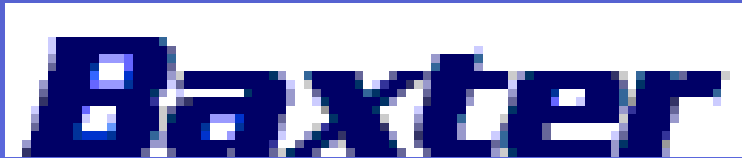


# LEADING SUPPLIER OF HEALTH CARE PRODUCTS & SERVICES

The Baxter logo is displayed in a white rectangular box. The word "Baxter" is written in a bold, blue, sans-serif font with a slight shadow effect.

- **2003 Sales**  
– **\$US ~9 Billion**
- **>51,000 Employees**
- **100 Countries**

LHS Reports  
Environmental  
Financial Statement”  
Annually in Baxter’s  
Sustainability Report

**Sustainability Report**



Issued 2000



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## Environmental Financial Statement Drivers:

- **Justify environmental goals**
- **Manage for trends by line item**
- **Measure value of EHS program**
- **Integrate EHS into the business**

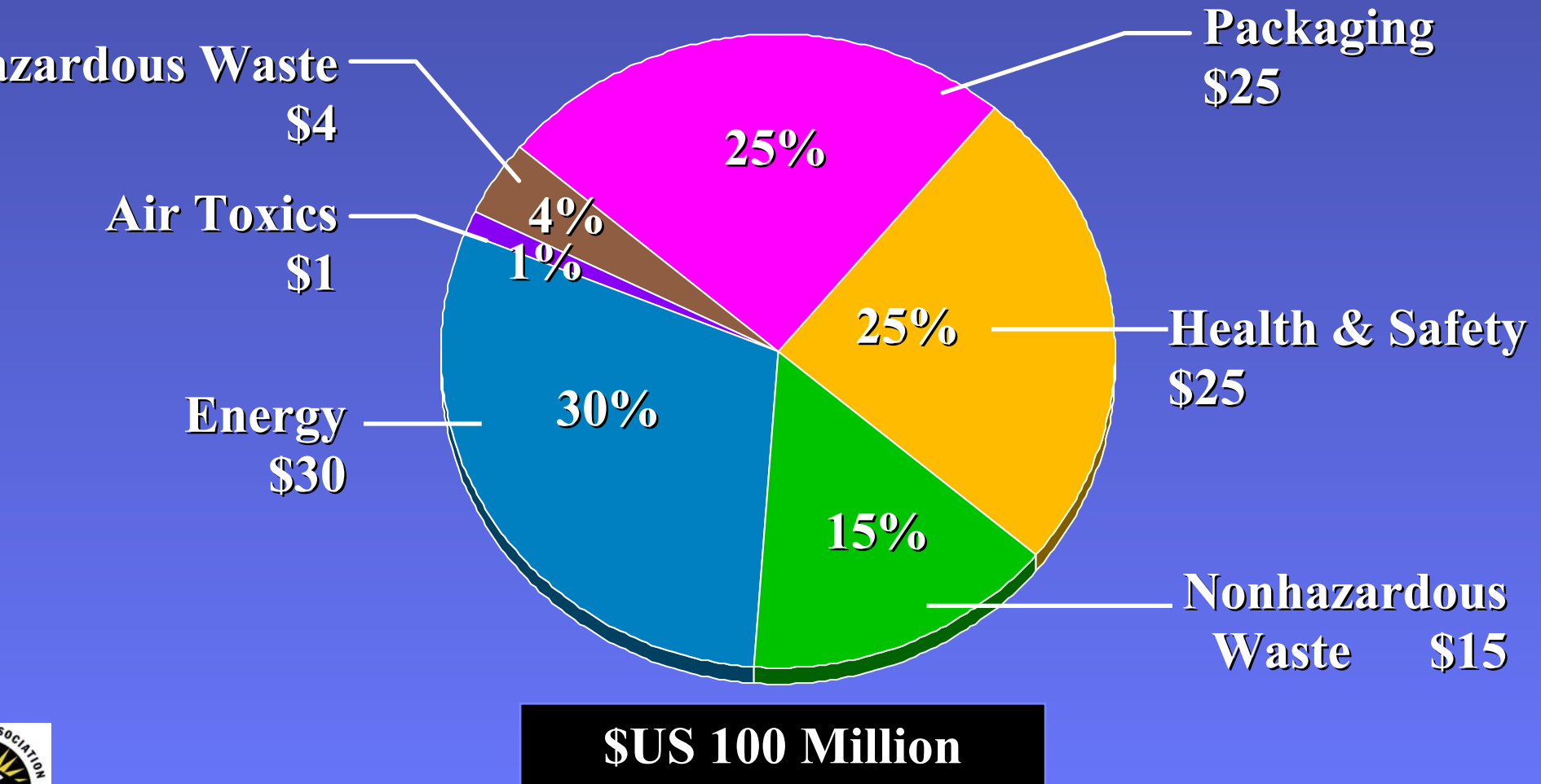
# EHS GOALS FOR THE YEAR 2005

	<u>Goal</u>	<u>Base Year</u>	<u>Est. Annual Savings &amp; Cost Avoid. in 2005 (Millio</u>
Reduce Air Toxic Emissions <sup>1</sup>	80%	1996	\$1
Reduce Hazardous and Regulated Waste Generation <sup>1</sup>	35%	1996	\$4
Reduce Nonhazardous Waste Generation <sup>1</sup>	35%	1996	\$15
Improve Energy Efficiency <sup>1</sup>	10%	1996	\$30
Reduce Packaging Materials <sup>1</sup>	20%	1995	\$25
Reduce Employee Work-Related Injury and Illness Rate <sup>2</sup>	50%	1999	\$25
Reduce Employee Work-Related Lost-Workday-Case-Incidence Rate <sup>2</sup>	60%	1996	
		<b>Total</b>	<b>\$US 100</b>



<sup>1</sup> Per-Unit Basis  
<sup>2</sup> Cases Per 200,000 Work Hours

# EST. ANNUAL SAVINGS AND COST AVOIDANCE IN 2005

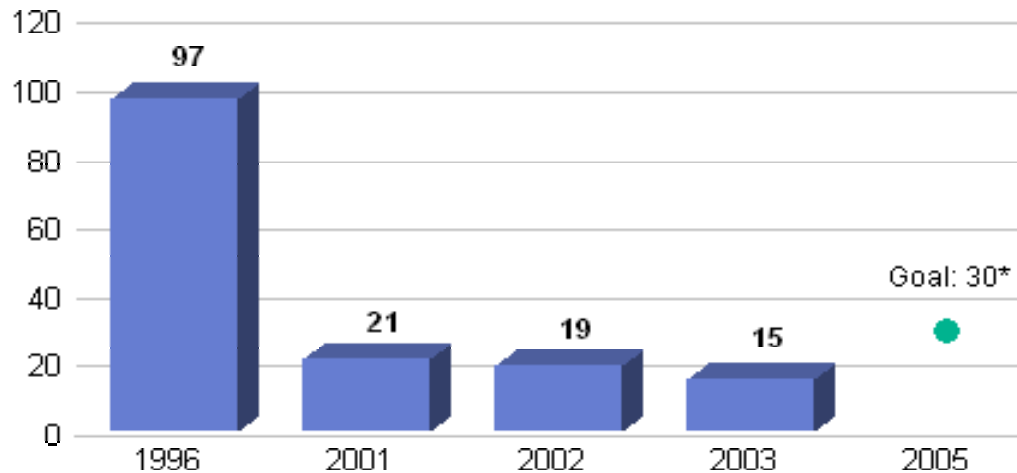


# Reduced emissions equals \$SAVINGS\$

BAXTER EH

## Process Related CFC and Toxic Air Emissions

In Thousands of Kilograms of CFC and Toxic Air Emissions



\*2005 goal, established in 1997, represents an 80% reduction in CFC and air toxic emissions per unit production value from 1996 levels.

### Air Toxics Reduction Per Unit of Production Value

1996 - 2005 Goal	80%
1996 - 2003 Interim Objective	63%
1996 - 2003 Results	90%

### Historical Performance

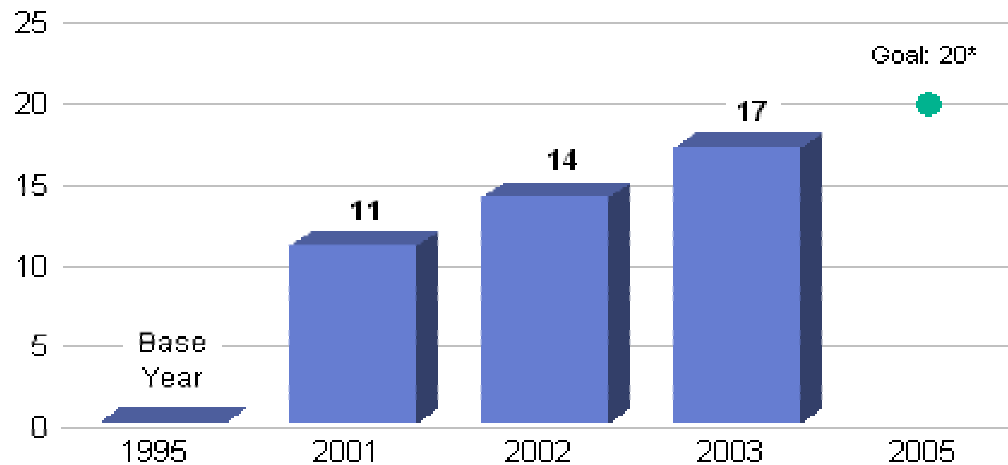
1988 - 1996 as reported in 1997	96%
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# Reduced packaging equals \$SAVINGS\$

BAXTER EH

## Packaging Reduction

In % Packaging Reduction Versus Baseline\*



\*Measured as the sum of single years' reductions for individual projects versus percent of 1995 baseline volume.

## Packaging Reduction as a Percentage of the 1995 Base Year

1995 - 2005 Goal	20%
1995 - 2003 Interim Objective	16%
1995 - 2003 Results	17%

## Historical Performance

1990 - 1995 as reported in 1997	21%
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## COSTS OF BASIC PROGRAM

(\$US MILLION)

	<u>2003</u>	<u>2002</u>
<b>Corp. Env. - General &amp; Shared Multi-division</b>	0.8	0.9
<b>Outside Auditors' and Attorneys' Fees</b>	0.3	0.4
<b>Corp. Environmental Engineering/IT</b>	1.2	1.3
<b>Div/Reg/Fac Env. Professionals/Programs</b>	5.2	5.0
<b>Packaging Professionals and Programs</b>	1.0	1.3
<b>Pollution Controls – O&amp;M</b>	2.8	3.0
<b>Pollution Controls – Depreciation</b>	<u>0.8</u>	<u>0.9</u>
<b>Total Costs of Basic Program</b>	<b>~12</b>	<b>~13</b>



# REMEDIATION, WASTE AND RESPONSE COSTS

(\$US MILLION)

	<u>2003</u>	<u>2002</u>
Attorneys' Fees for Cleanup Claims, NOVs	0.7	0.5
Settlements of Government Claims	0.0	0.0
Waste Disposal	7.8	7.7
Environmental Taxes for Packaging	1.0	0.6
Remediation/Cleanup – On-site	0.4	0.5
Remediation/Cleanup – Off-site	<u>0.1</u>	<u>0.0</u>
<b>Total Remediation, Waste &amp; Response Costs</b>	<b>~10</b>	<b>~9</b>

# INCOME, SAVINGS & COST AVOIDANCE

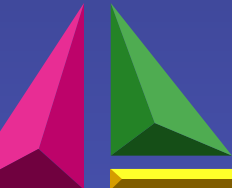
(\$US MILLION)

	<u>2003</u>	<u>2002</u>
Air Toxics Cost Reductions	0.0	0.0
Hazardous Waste – Disposal Cost Reductions	0.3	(0.1)
Hazardous Waste – Material Cost Reductions	1.3	(0.7)
Nonhazardous Waste – Disposal Cost Reductions	0.7	1.0
Nonhazardous Waste – Material Cost Reductions	10.3	3.2
Recycling Income	2.3	1.1
Energy Conservation – Cost Savings	3.9	3.1
Packaging Cost Reductions	1.7	2.4
Water Conservation Cost Reductions	<u>0.7</u>	<u>0.2</u>
<b>Total Income, Savings and Cost Avoidance</b>	<b>~21</b>	<b>~10</b>

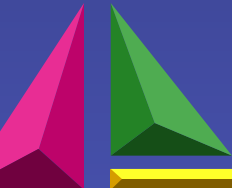
**SUMMARY**

(\$US MILLION)

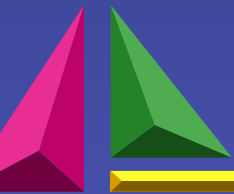
	<u>2003</u>	<u>2002</u>
<b>Envir. Income, Savings and Cost Avoidance in Report Year</b>	21	10
<b>Cost Avoidance in Report Year From Efforts Initiated in the Six Prior Years</b>	48	53
<b>Total Income, Savings and Cost Avoidance</b>	<u>69</u>	<u>63</u>
<b>Costs of Basic Program</b>	12	13
<b>Remediation, Waste and Response Costs</b>	<u>10</u>	<u>9</u>
<b>Total Environmental Costs</b>	<b>22</b>	<b>22</b>
<b>Total Savings (-) Costs =</b>	<b>47</b>	<b>41</b>



	<u>2003 US (Millions)</u>
<b>Baxter's Net Sales</b>	<b>\$8,916</b>
<b>Income – Continuing Operations</b>	<b>\$922</b>
<b>Average Number Common Shares</b>	<b>627</b>
<b>Earnings Per Common Share</b>	<b>\$1.47</b>



	<u>2003 US (Millions)</u>	<u>Without Proactive Environmental Program</u>
<b>Baxter's Net Sales</b>	<b>\$8,916</b>	
<b>Income – Continuing Operations</b>	<b>\$922</b>	<b>(\$47) = \$875</b>
<b>Average Number Common Shares</b>	<b>627</b>	
<b>Earnings Per Common Share</b>	<b>\$1.47</b>	<b>(\$.07) = \$1.40</b>



## Challenges

- **Multiple data sources and needs**
- **Need for flexibility as program needs change**
- **Work with various parties, including Finance, to ensure robustness of process and assumptions**
- **Consider implications of Sarbanes-Oxley for external reporting**

## Conclusion

**A proactive EHS program can significantly contribute to your company's bottom line!**