

## **Financial Disclaimers and Non-GAAP Reconciliations**

### **Financial Disclaimers**

Amounts reported in millions throughout are computed based on the amounts in thousands. As a result, the sum of the components reported in millions may not equal the total amount reported in millions due to rounding. Certain columns and rows within tables may not add due to the use of rounded numbers. Percentages presented are calculated from the underlying numbers in dollars.

### **Use of Non-GAAP Financial Measures**

To supplement our unaudited condensed consolidated financial statements presented on a GAAP basis, we disclose certain non-GAAP financial measures, including adjusted net income (loss), adjusted net income (loss) available to common stockholders and adjusted net income (loss) per share that exclude certain amounts, operational net sales, which exclude the impact of foreign currency fluctuations and organic net sales, which exclude the impact of foreign currency fluctuations and the impact of recent aforementioned acquisitions and divestitures. These non-GAAP financial measures are not in accordance with generally accepted accounting principles in the United States and should not be considered in isolation from or as a replacement for the most directly comparable GAAP financial measures. Further, other companies may calculate these non-GAAP financial measures differently than we do, which may limit the usefulness of those measures for comparative purposes.

To calculate adjusted net income (loss), adjusted net income (loss) available to common stockholders and adjusted net income (loss) per share we exclude certain charges (credits) from GAAP net income and GAAP net income available to common stockholders. Amounts are presented after-tax at the Company's effective tax rate, unless the amount is a significant unusual or infrequently occurring item in accordance with FASB Accounting Standards Codification section 740-270-30, "General Methodology and Use of Estimated Annual Effective Tax Rate." Please refer to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our most recent Annual Report filed on Form 10-K filed with the Securities and Exchange Commission for an explanation of each of these adjustments and the reasons for excluding each item.

The GAAP financial measures most directly comparable to adjusted net income (loss), adjusted net income (loss) available to common stockholders and adjusted net income (loss) per share are GAAP net income (loss), GAAP net income (loss) available to common stockholders and GAAP net income per share – assuming dilution, respectively.

To calculate operational net sales growth rates, which exclude the impact of foreign currency fluctuations, we convert actual net sales from local currency to U.S. dollars using constant foreign currency exchange rates in the current and prior period. To calculate organic net sales growth rates, we remove the impact of recent aforementioned acquisitions with no prior period related net sales from operational net sales. In addition, to calculate organic net sales growth rates, we remove from prior year, sales from product lines that we divested. The GAAP financial measure most directly comparable to operational net sales and organic net sales is net sales on a GAAP basis.

Management uses these supplemental non-GAAP financial measures to evaluate performance period over period, to analyze the underlying trends in our business, to assess our performance relative to our competitors and to establish operational goals and forecasts that are used in allocating resources. In addition, management uses these non-GAAP financial measures to further its understanding of the performance of our operating segments. With the exception of the impact of the recent aforementioned acquisitions and divestitures, the adjustments excluded from our non-GAAP financial measures are consistent with those excluded from our operating segments' measures of net sales and profit or loss. These adjustments are excluded from the segment measures reported to our chief operating decision maker that are used to make operating decisions and assess performance.

We believe that presenting adjusted net income (loss), adjusted net income (loss) available to common stockholders and adjusted net income (loss) per share, operational net sales and organic net sales, in addition to the corresponding GAAP financial measures, provides investors greater transparency to the information used by management for its operational

decision-making and allows investors to see our results “through the eyes” of management. We further believe that providing this information assists our investors in understanding our operating performance and the methodology used by management to evaluate and measure such performance.

Reconciliations of each of these non-GAAP financial measures to the corresponding GAAP financial measure are outlined below:

Earnings Per Share	Year Ended December 31, 2020 <sup>A</sup>	
<b>GAAP earnings (loss) per share available to common stockholders</b>	<b>\$</b>	<b>(0.08)</b>
Amortization expense		0.49
Goodwill and other intangible asset impairment charges		0.32
Acquisition/divestiture-related net charges (credits)		0.08
Restructuring and restructuring-related net charges (credits)		0.10
Litigation-related net charges (credits)		0.18
Investment portfolio net losses (gains)		(0.23)
EU MDR implementation costs		0.02
Deferred tax expenses (benefits)		0.03
Discrete tax items		0.05
<b>Adjusted earnings (loss) per share</b>	<b>\$</b>	<b>0.96</b>

**A** - As previously announced, we issued mandatory convertible preferred stock (MCPS) in May of 2020. For 2020, the effect of assuming the conversion of MCPS into shares of common stock was anti-dilutive, and therefore excluded from the calculation of EPS. Accordingly, GAAP Net loss and Adjusted net income were reduced by cumulative preferred stock dividends of \$33 million, as presented in our consolidated statements of operations, for purposes of calculating GAAP Net loss available to common stockholders. We have assumed dilution of 13.8 million common stock equivalents related to employee stock options for all or a portion of the non-GAAP adjustments, which were anti-dilutive for GAAP purposes due to our Net loss position.

Adjusted Free Cash Flow (in millions)	Year Ended December 31, 2020	
<b>Operating cash flow, reported</b>	<b>\$</b>	<b>1,508</b>
Less: Purchases of property, plant and equipment		376
Add: Proceeds on disposals of property, plant and equipment		12
<b>Free Cash Flow</b>		<b>1,144</b>
Plus: Restructuring and restructuring-related payments		110
Plus: Acquisition-related payments		202
Plus: EU medical device regulation payments		29
Plus: Special Tax Payments (Refunds/Credits)		76
Plus: Litigation-related Settlements		420
<b>Adjusted Free Cash Flow</b>	<b>\$</b>	<b>1,980</b>