

FOR IMMEDIATE RELEASE

**Media Contact:**

Bill Rader, (224) 948-5353  
media@baxter.com

**Investor Contact:**

Clare Trachtman, (224) 948-3085

**BAXTER REPORTS SECOND-QUARTER 2017 RESULTS AND PROVIDES UPDATED FINANCIAL OUTLOOK FOR 2017 AND 2020**

- **Second-Quarter Revenue of \$2.6 Billion Increased 1 Percent on a Reported Basis and 3 Percent on an Operational Basis**
- **Second-Quarter GAAP Earnings Per Share (EPS) of \$0.48; Adjusted EPS of \$0.63 Increased 37 Percent**
- **Increases Full-Year 2017 Sales Growth to 3 Percent on a Reported Basis and 5 Percent on an Operational Basis**
- **Raises Full-Year 2017 GAAP EPS to \$1.85 to \$1.95; Adjusted EPS to \$2.34 to \$2.40**
- **Financial Outlook for 2020 Increased to Reflect Strong Operational Execution and Ongoing Business Transformation Initiatives**

DEERFIELD, Ill., July 26, 2017 – Baxter International Inc. (NYSE:BAX) today reported results for the second quarter of 2017 and increased its financial outlook for full-year 2017 and 2020.

“Our solid second quarter performance reflects continued execution of our strategic objectives,” said José (Joe) E. Almeida, chairman and chief executive officer. “Baxter’s focus on innovation and operational excellence is fueling our mission to save and sustain lives, and deliver improved performance for our patients, customers and shareholders. In light of this progress and potential, we are raising our financial outlook for both full-year 2017 and 2020.”

## **Second-Quarter Financial Results**

In the second quarter, worldwide sales totaled \$2.6 billion, an increase of 1 percent on a reported basis and 2 percent on a constant currency basis as compared to the prior-year period. Operationally, Baxter's sales rose 3 percent, adjusting for the impact of foreign exchange, generic competition for U.S. cyclophosphamide and the previously communicated select strategic product exits the company is undertaking.

Sales within the U.S. were \$1.1 billion, advancing 4 percent. International sales totaled approximately \$1.5 billion, representing a 2 percent decrease on a reported basis and a 1 percent increase on a constant currency basis. Baxter's operational sales increased 5 percent in the U.S. and 2 percent internationally.

Global sales for Hospital Products totaled \$1.6 billion in the second quarter, increasing 1 percent on a reported basis, 2 percent on a constant currency basis and 4 percent operationally as compared to the prior-year period. Performance in the quarter benefited from continued strength in our U.S. fluid systems business, favorable demand for parenteral nutrition therapies and pre-mixed injectable pharmaceuticals, as well as for select anesthesia and critical care products.

Baxter's Renal sales totaled \$968 million, comparable to the prior year on a reported basis and up 3 percent on both a constant currency basis and operational basis. Growth in the quarter was driven by increased sales for in-center hemodialysis (HD) products in the U.S., international acute renal care sales and global sales of peritoneal dialysis (PD) therapies.

Baxter reported income from continuing operations of \$264 million, or \$0.48 per diluted share, on a GAAP (Generally Accepted Accounting Principles) basis for the second quarter. These results included special items totaling \$113 million (\$84 million net after-tax), primarily related to business optimization, intangible asset amortization and the deconsolidation of the company's Venezuela business.

On an adjusted basis, excluding special items, Baxter's second quarter income from continuing operations totaled \$348 million, or \$0.63 per diluted share, exceeding the company's previously issued guidance of \$0.55 to \$0.57 per diluted share.

### **Business Highlights**

In support of its strategy to accelerate profitable growth and deliver meaningful innovation for patients and healthcare professionals around the world, Baxter has achieved a number of recent operational, pipeline and commercial milestones.

- Secured clearance from all regulatory authorities to complete the company's proposed acquisition of Claris Injectables Limited, a global generic injectables pharmaceutical company. The transaction significantly broadens Baxter's presence in the generic pharmaceuticals space and will help boost the supply of essential medicines to Baxter customers. The company expects to close the transaction by the end of July 2017.
- Entered into an [agreement with Dorizoe Lifesciences Limited](#), a full-service global contract research and development organization, that will facilitate accelerated development of more than 20 generic injectable products.

**BAXTER REPORTS SECOND-QUARTER 2017 RESULTS AND PROVIDES UPDATED FINANCIAL OUTLOOK FOR 2017 AND 2020 – PAGE 4**

- Received U.S. Food and Drug Administration (FDA) approval of two new premixed injectables - clindamycin injection in both saline and dextrose presentations. Baxter is the first and only company to offer a [premixed clindamycin injection in a saline presentation](#), which makes this commonly prescribed antibiotic suitable for use with a wider patient population.
- Announced research and clinical development collaborations with leading institutions -- [Mayo Clinic](#) and [Ramot at Tel Aviv University/Tel Aviv Sourasky Medical Center](#) -- to transform patient care with new technologies and products across an array of therapeutic areas, including renal care and surgical care, respectively.
- Achieved a regulatory milestone for our [new innovative, home PD technology](#) with the receipt of guidance from the FDA clarifying the regulatory pathway. The new system is designed to produce sterile PD solutions using a small water filtration device that would be placed in the patient's home and integrated with Baxter's unique AMIA automated peritoneal dialysis (APD) system with SHARESOURCE telehealth platform.
- Launched a new version of the [AK-98 HD system](#) in select markets offering two-way IT connectivity and capabilities to meet the needs of patients with lower weights. The system can also be used to deliver [HDx enabled by THERANOVA](#), which was designed to work with all hemodialysis machines. HDx enabled by the THERANOVA dialyzer extends the range of molecules that can be filtered from the blood during dialysis, resulting in a filtration profile that more closely mimics the natural kidney.<sup>1</sup>

## **2017 Financial Outlook**

For full-year 2017: Baxter is raising its financial outlook for the year and now expects sales growth of approximately 3 percent on a reported basis, approximately 4 percent on a constant currency basis, and approximately 5 percent operationally. Earnings from continuing operations, before special items, are expected to be \$2.34 to \$2.40 per diluted share. This guidance assumes the closure of the company's proposed acquisition of Claris Injectables, to be complete by the end of July 2017.

For the third quarter: The company expects sales growth of approximately 4 percent on a reported basis, approximately 5 percent on a constant currency basis and approximately 6 percent operationally. The company expects earnings from continuing operations, before special items, of \$0.58 to \$0.60 per diluted share.

Please see the schedules accompanying this press release for reconciliations between the projected 2017 operational sales and adjusted earnings per diluted share to the projected GAAP sales and earnings per diluted share.

## **2020 Financial Outlook**

As a result of the company's ongoing business transformation efforts designed to accelerate performance, the company is increasing its 2020 financial outlook. Baxter expects sales to grow approximately 4 percent on a compounded annual basis from 2016 to 2020<sup>2</sup> and now anticipates an adjusted operating margin in 2020 of approximately 20 percent as compared to previous guidance of 17 to 18 percent. The company anticipates 2020 adjusted diluted earnings of

**BAXTER REPORTS SECOND-QUARTER 2017 RESULTS AND PROVIDES UPDATED FINANCIAL OUTLOOK FOR 2017 AND 2020 – PAGE 6**

\$3.25 to \$3.40 per share. Baxter also increased its cash flow expectations for 2020 and now anticipates operating cash flow of approximately \$2.65 billion. Capital expenditures are expected to total \$650 million in 2020, resulting in free cash flow generation of approximately \$2 billion, an increase of \$250 million versus prior guidance.

“Baxter’s increased financial outlook and enhanced free cash flow generation provide the flexibility to invest in the business both organically and inorganically while also returning meaningful value to shareholders through dividends and share repurchases,” said Jay Saccaro, executive vice president and chief financial officer. “The company is well-positioned to execute on its aspiration of delivering sustainable industry-leading performance.”

The non-GAAP measures set forth above reflect the impact of several known items. The reconciliation of adjusted operating margin for known intangible asset amortization expense of approximately 1 percent results in operating margin of approximately 19 percent in 2020. Additionally, the reconciliation of adjusted diluted earnings per share for known intangible asset amortization expense (\$0.17 in 2020) results in diluted earnings per share between \$3.08 and \$3.23, respectively.

A webcast of Baxter’s second quarter conference call for investors can be accessed live from a link on the company’s website at [www.baxter.com](http://www.baxter.com) beginning at 7:30 a.m. CDT on July 26, 2017. Please see [www.baxter.com](http://www.baxter.com) for more information regarding this and future investor events and webcasts.

## **About Baxter**

Baxter provides a broad portfolio of essential renal and hospital products, including home, acute and in-center dialysis; sterile IV solutions; infusion systems and devices; parenteral nutrition; surgery products and anesthetics; and pharmacy automation, software and services. The company's global footprint and the critical nature of its products and services play a key role in expanding access to healthcare in emerging and developed countries. Baxter's employees worldwide are building upon the company's rich heritage of medical breakthroughs to advance the next generation of healthcare innovations that enable patient care.

*This release includes forward-looking statements concerning the company's financial results, business development activities, capital structure, cost savings initiatives, R&D pipeline including results of clinical trials and planned product launches, and outlook for 2017 and 2020. The statements are based on assumptions about many important factors, including the following, which could cause actual results to differ materially from those in the forward-looking statements: demand for and market acceptance of risks for new and existing products, and the impact of those products on quality or patient safety concerns; product development risks; product quality or patient safety concerns; future actions of regulatory bodies and other governmental authorities, including the FDA, the Department of Justice, the New York Attorney General and foreign regulatory agencies; failures with respect to compliance programs; future actions of third parties, including payers; U.S. healthcare reform and other global austerity measures; pricing, reimbursement, taxation and rebate policies of government agencies and private payers; the impact of competitive products and pricing, including generic competition, drug reimportation and disruptive technologies; global, trade and tax policies; accurate identification of and execution on business development and R&D opportunities and realization of anticipated benefits (including the proposed acquisition of Claris Injectables in July 2017); fluctuations in supply and demand; the availability of acceptable raw materials and component supply; the inability to create timely production capacity or other manufacturing supply difficulties; the ability to achieve the intended results associated with the separation of the biopharmaceutical and medical products businesses; the ability to enforce owned or in-licensed patents or the patents of third parties preventing or restricting manufacture, sale or use of affected products or technology; the impact of global economic conditions; fluctuations in foreign exchange and*

**BAXTER REPORTS SECOND-QUARTER 2017 RESULTS AND PROVIDES UPDATED  
FINANCIAL OUTLOOK FOR 2017 AND 2020 – PAGE 8**

*interest rates; any change in law concerning the taxation of income, including income earned outside the United States; actions taken by tax authorities in connection with ongoing tax audits; breaches or failures of the company's information technology systems; loss of key employees or inability to identify and recruit new employees; the outcome of pending or future litigation; the adequacy of the company's cash flows from operations to meet its ongoing cash obligations and fund its investment program; and other risks identified in Baxter's most recent filing on Form 10-K and other Securities and Exchange Commission filings, all of which are available on Baxter's website. Baxter does not undertake to update its forward-looking statements.*

###

---

<sup>1</sup>Boschetti-de-Fierro A, et al. MCO Membranes: Enhanced Selectivity in High-Flux Class. Scientific Reports (2015); 5:118448

<sup>2</sup>Assumes constant currency foreign exchange rates from 2017 through 2020