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Media Contact:

Deborah Spak, (847) 948-2349

Investor Contacts:

Mary Kay Ladone, (847) 948-3371

Clare Trachtman, (847) 948-3085

**BAXTER'S SECOND QUARTER FINANCIAL RESULTS EXCEED GUIDANCE;
COMPANY RAISES FULL-YEAR FINANCIAL OUTLOOK**

Baxter Reports Double-Digit Growth in Q2 Sales and Earnings

DEERFIELD, Ill., July 21, 2011 – Baxter International Inc. (NYSE:BAX) today announced strong financial results for the second quarter of 2011, and raised its financial outlook for full-year 2011.

Baxter reported net income of \$615 million in the second quarter, an increase of 15 percent compared to \$535 million reported in the same period last year. Earnings per diluted share of \$1.07 advanced 19 percent from \$0.90 per diluted share in the prior-year period, and exceeded the company's previously issued earnings guidance of \$1.01 to \$1.03 per diluted share. This performance reflects double-digit sales growth, operational leverage, favorable foreign exchange and the benefit from the company's ongoing share repurchase program.

On an adjusted basis, excluding a special item in the second quarter of 2010, Baxter's net income and earnings per diluted share increased 10 percent

and 15 percent, respectively, from \$557 million and \$0.93 per diluted share recorded in the prior-year period.

Worldwide sales totaled \$3.5 billion and increased 11 percent compared to sales of \$3.2 billion in the second quarter of 2010. Excluding the impact of foreign currency, worldwide sales increased 6 percent. Sales within the United States grew 5 percent to \$1.4 billion, while international sales of \$2.1 billion accelerated 15 percent (or 7 percent excluding the impact of foreign currency).

BioScience revenues totaled \$1.6 billion, representing a 14 percent increase from \$1.4 billion in the comparable prior-year period. Excluding the impact of foreign currency, BioScience sales advanced 10 percent boosted by strong demand for GAMMAGARD LIQUID [Immune Globulin Intravenous (Human)] (marketed as KIOVIG outside of the United States), certain specialty plasma-based therapeutics, and vaccines.

Medical Products sales increased 8 percent to \$2.0 billion from \$1.8 billion reported last year. Excluding the impact of foreign currency, Medical Products sales increased 3 percent. As previously disclosed, the company completed the divestiture of its U.S. multi-source generic injectables business to Hikma Pharmaceuticals PLC during the quarter. Excluding generic injectables sales from both years, Medical Products revenues increased 10 percent (or 5 percent excluding the impact of foreign currency), reflecting strong growth of anesthesia products, nutritional therapies, infusion systems and other injectable drugs.

“We remain encouraged with the continued improvement in our financial performance and progress with the initiatives we have implemented to enhance our commercial, operational, and scientific effectiveness,” said Robert L.

Parkinson, Jr., chairman and chief executive officer. “These initiatives, combined with Baxter’s global presence, diversified portfolio, and focus on innovation, provide unique opportunities for future growth in an evolving and challenging macro-environment.”

Six-Month Results

For the first six months of 2011, Baxter reported net income of \$1.2 billion or \$2.05 per diluted share, compared to net income of \$472 million or \$0.78 per diluted share in the same period last year. On an adjusted basis, excluding special items in the first half of 2010, Baxter’s net income for the six-month period increased 6 percent from \$1.1 billion in the prior year, and earnings per diluted share increased 10 percent from \$1.86 per diluted share reported in the first half of last year.

Baxter’s worldwide sales totaled \$6.8 billion and increased 11 percent (or 9 percent excluding the impact of foreign currency) compared to sales of \$6.1 billion in the same period of 2010. Sales in 2010 included a revenue adjustment associated with the COLLEAGUE infusion pump of \$213 million. Excluding this revenue adjustment, Baxter’s worldwide sales increased 8 percent over the prior six-month period (or 5 percent excluding the impact of foreign currency).

During the first six months of this year, Baxter returned approximately \$1.5 billion to shareholders through both dividends and share repurchases. The company paid dividends totaling \$358 million and repurchased 21 million shares of Baxter common stock for \$1.1 billion.

Recent Highlights

Baxter continued to enhance its portfolio and new product pipeline through investments in research and development, augmented by new business development initiatives. Recent achievements include the following:

- Acquisition of privately-held Prism Pharmaceuticals, Inc., a specialty pharmaceutical company, and the subsequent launch of NEXTERONE® (amiodarone HCl) Premixed Injection in the United States. This is the first and only ready-to-use premixed formulation of the antiarrhythmic agent amiodarone, which is immediately available for use and reduces the risk of medication errors associated with compounding.
- Divestiture of the company's U.S. generic injectables business to Hikma Pharmaceuticals PLC. The sale of this business, which was completed in early May, allows Baxter to redirect resources toward its proprietary, enhanced packaging offerings and formulation technologies, consistent with the company's focus on product differentiation.
- Submission of a Biological License Application to the U.S. Food and Drug Administration for HyQ, a subcutaneous immune globulin therapy facilitated by recombinant human hyaluronidase for use in patients with primary immunodeficiency. The company also announced top-line results of a phase III study of HyQ, which confirmed the interim results presented in late 2010.
- Positive opinion from the Committee for Medicinal Products for Human Use of the European Medicines Agency for extension of the therapeutic indications of KIOVIG (marketed as GAMMAGARD LIQUID™ [Immune Globulin Intravenous (Human)]) in the United States) to include multifocal motor neuropathy (MMN), a chronic condition characterized by progressive limb weakness. Upon adoption by the European Commission, Baxter will receive marketing authorization in all European Union Member States – representing the first centrally-licensed indication for an immunoglobulin preparation for MMN.
- Publication of Phase II data in *Circulation Research* demonstrating that injections of a patient's own CD34+ adult stem cells into targeted sites in the heart have therapeutic benefits for patients with chronic myocardial ischemia (CMI). Benefits included reduction in frequency of angina episodes and improved exercise tolerance. More than 850,000 patients in the United States experience refractory angina associated with CMI and have not responded to other therapeutic options.

- Award of the [“Best in KLAS” distinction](#) for the SIGMA Spectrum Infusion System by an independent research firm in its annual customer satisfaction report “2011 Top 20 Best in KLAS Awards: Medical Equipment & Infrastructure.” The SIGMA Spectrum Infusion System scored the highest in overall performance, reliability and delivery of technology, and builds upon previous recognition of the highest perception ratings for Cost/Value and Ease of Use in an initial KLAS report released in the first quarter of 2011.

Outlook for Third Quarter and Full-Year 2011

Baxter also announced today its guidance for the third quarter of 2011 and raised its financial outlook for the full year.

For full-year 2011, Baxter now expects earnings, before special items, of \$4.27 to \$4.32 per diluted share versus previous guidance of \$4.20 to \$4.28 per diluted share. Baxter continues to expect to achieve sales growth of 3 to 4 percent, excluding special items and the impact of foreign currency (or 5 to 6 percent including the benefit of foreign currency). In addition, the company expects to generate cash flows from operations of approximately \$2.8 billion.

For the third quarter of 2011, the company expects sales growth, excluding the impact of foreign currency, of 3 to 4 percent (or 6 to 7 percent including the benefit of foreign currency) and earnings per diluted share of \$1.07 to \$1.09, before any special items.

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 beginning at 7:30 a.m. CDT on July 21, 2011. Please visit Baxter's website for more information regarding this and future investor events and webcasts.

Baxter International Inc., through its subsidiaries, develops, manufactures and markets products that save and sustain the lives of people with hemophilia,

immune disorders, infectious diseases, kidney disease, trauma, and other chronic and acute medical conditions. As a global, diversified healthcare company, Baxter applies a unique combination of expertise in medical devices, pharmaceuticals and biotechnology to create products that advance patient care worldwide.

This release includes forward-looking statements concerning the company's financial results, outlook for 2011 and R&D pipeline. 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 risks for new and existing products, such as ADVATE, and other technologies; future actions of regulatory bodies and other governmental authorities, including with respect to the company's implementation of the COLLEAGUE recall, that could delay, limit or suspend product development, manufacturing or sales or result in sanctions; product quality or patient safety concerns leading to product recalls, withdrawals, launch delays, litigation, or declining sales; Sigma's ability to build production capacity to meet customer demand; future actions of governmental authorities and other third parties as U.S. healthcare reform legislation and other austerity measures are implemented; additional legislation, regulation and other governmental pressures, which may affect pricing, reimbursement and rebate policies of government agencies and private payers or other elements of the company's business; product development risks; inventory reductions or fluctuations in buying patterns by wholesalers or distributors; the impact of geographic and product mix on the company's sales; the impact of competitive products and pricing, including generic competition, drug reimportation and disruptive technologies; the availability of acceptable raw materials and component supply; fluctuations in supply and demand and the pricing of plasma-based therapies; the ability to enforce company patents; patents of third parties preventing or restricting the company's manufacture, sale or use of affected products or technology; any impact of the current economic conditions on Baxter and its customers; foreign currency fluctuations and other risks identified in the company's most recent filing on Form 10-K and other Securities and Exchange Commission filings, all of which are available on the company's website. The company does not undertake to update its forward-looking statements. Financial schedules are attached to this release and available on the company's website.

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