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BAXTER REPORTS 2018 FOURTH-QUARTER AND FULL-YEAR RESULTS

- *Fourth-quarter revenue of \$2.8 billion increased 2 percent on a reported basis and 5 percent on an operational basis*
- *Fourth-quarter GAAP earnings per share (EPS) of \$0.66; adjusted EPS of \$0.78 increased 22 percent*
- *Full-year revenue of \$11.1 billion increased 5 percent on a reported basis and 3 percent on an operational basis*
- *Full-year GAAP earnings per share were \$2.99; adjusted EPS of \$3.05 increased 23 percent*

DEERFIELD, III., JAN. 31, 2019 – Baxter International Inc. (NYSE:BAX), a leading global medical products company, today reported results for the fourth quarter and full year ended Dec. 31, 2018, and provided its financial guidance for 2019.

“Baxter continued building momentum in 2018, delivering solid top-line and strong bottom-line performance for the year,” said José (Joe) E. Almeida, chairman and chief executive officer. “Our focus on increased innovation, combined with our diverse portfolio, global footprint and unwavering financial discipline, helped us maintain our trajectory in a dynamic marketplace.”

Almeida added, “Our ongoing business transformation will continue throughout 2019 as we prepare to launch new products, pursue high-value capital deployment opportunities and deliver on additional operational excellence initiatives. Our goal remains to drive top quartile performance for all stakeholders in line with our Mission to Save and Sustain Lives.”



Fourth-Quarter Financial Results

Worldwide sales in the fourth quarter totaled approximately \$2.8 billion, an increase of 2 percent on a reported basis and 5 percent on both a constant currency basis and operational basis compared to the prior-year period. Operational sales in the fourth quarter adjust for the impact of foreign exchange and generic competition for U.S. cyclophosphamide, as well as the company's acquisition of two surgical products from Mallinckrodt plc, which closed in March 2018.

Sales in the U.S. totaled \$1.2 billion, increasing 4 percent on a reported basis and 2 percent on an operational basis. International sales of \$1.7 billion increased 1 percent on a reported basis and 6 percent on both a constant currency and operational basis. Drivers of growth in the quarter included Baxter's Renal Care, Pharmaceuticals, Advanced Surgery and Acute Therapies businesses. Increased demand for Baxter's contract manufacturing services also contributed to performance in the quarter.

Please see the attached schedules accompanying this press release for additional details on sales performance in the quarter, including breakouts by Baxter's three geographic segments and six global business units (GBUs).

Baxter reported income from continuing operations of \$354 million, or \$0.66 per diluted share, on a GAAP (Generally Accepted Accounting Principles) basis for the fourth quarter. These results include special items totaling \$67 million after-tax, primarily related to business optimization and intangible amortization. On an adjusted basis, Baxter's fourth quarter income from continuing operations totaled \$421 million, or \$0.78 per diluted share. Adjusted earnings per diluted share advanced 22 percent in the quarter, driven by solid operational performance, an ongoing benefit from the company's business transformation efforts and lower pension expenses.

Full-year Financial Results

Baxter's 2018 worldwide sales totaled approximately \$11.1 billion, an increase of 5 percent on a reported basis, 4 percent on a constant currency basis and 3 percent on an operational basis compared to 2017. Operational sales for 2018 adjust for the impact of foreign exchange, generic competition for U.S. cyclophosphamide, the company's March 2018 acquisition of two surgical products from Mallinckrodt plc, and the company's July 2017 acquisition of Claris Injectables.

Sales in the U.S. totaled \$4.7 billion, increasing 5 percent on a reported basis and 3 percent on an operational basis. International sales of \$6.4 billion increased 6 percent on a reported basis and 4 percent on both a constant currency and operational basis.

For the year, Baxter's Pharmaceuticals, Advanced Surgery and Acute Therapies businesses delivered double-digit growth at constant currency rates; and Renal Care achieved mid-single-digit growth on a constant currency basis. This growth helped offset low-single-digit declines in the company's Medication Delivery and Clinical Nutrition businesses. The accompanying schedules include additional details on sales performance by geographic segment and GBU.

Baxter reported 2018 income from continuing operations of \$1.6 billion, or \$2.99 per diluted share, on a GAAP basis. These results include special items totaling \$36 million after-tax, primarily due to business optimization and intangible amortization, partially offset by a benefit related to the company's U.S. foreign credit deferred tax assets. On an adjusted basis, Baxter's 2018 income from continuing operations totaled \$1.7 billion, or \$3.05 per diluted share, an increase of 23 percent over the prior-year period.

In 2018, Baxter generated \$2.1 billion in operating cash flow, driven by improved operational performance and the continuing impact of programs focused on improving the company's working capital. As a result, the company generated \$1.4 billion in free cash flow (operating cash flow less capital expenditures of \$681 million) for the year.

"Baxter's sustained improvement in cash generation gives us the flexibility to evaluate and pursue a growing range of organic and inorganic growth opportunities," said Jay Saccaro, chief financial officer. "It also augments our ability to return value directly to our shareholders. In 2018, we increased our annual dividend rate by approximately 19 percent, paid out \$376 million in dividends and repurchased over \$2.4 billion in shares."

Business Highlights

In 2018 Baxter achieved notable milestones in pursuit of its Mission for patients as well as its emphasis on accelerating profitable growth. Among highlights of the past year, the company:

- Announced a collaboration with Mayo Clinic to establish a [renal care center of excellence](#) that will serve patients across the continuum of care, from chronic kidney

disease (CKD) management through transplant, to drive better outcomes. The center will be located at Mayo Clinic's Jacksonville, Fla., campus

- Launched Baxter's **Kaguya** automated peritoneal dialysis (APD) system in Japan, incorporating several distinct features reflecting local needs and patient demographics, providing a valuable new in-home treatment option in a market that has historically emphasized in-center hemodialysis
- Received CE Mark for the [PrisMax](#) system, Baxter's next generation technology for continuous renal replacement and organ support therapies
- Launched two innovative drug infusion pumps meeting the unique needs of markets around the world: the [Spectrum IQ Infusion System](#) with **Dose IQ** Safety Software in the U.S. and Canada, and the [Evo IQ Infusion System](#) in other global markets
- Expanded our generic injectable pharmaceuticals portfolio with multiple new products, including dexmedetomidine hydrochloride in 0.9 percent sodium chloride using Baxter's proprietary GALAXY container technology, representing the first and only presentation of this premixed formulation in a flexible, shelf-stable, ready-to-use container
- Launched eight new products expanding the breadth and impact of Baxter's Advanced Surgery portfolio, most recently including a new [Disposable Curved Applicator](#) for the **Floseal Hemostatic Matrix** product line providing surgeons with greater control during ENT surgeries
- [Acquired two products](#) from Mallinckrodt plc, **RECOTHROM Thrombin topical (Recombinant)** and **PREVELEAK Surgical Sealant**, further broadening Baxter's Advanced Surgery portfolio of hemostats and sealants
- Introduced [OLIMEL 7.6%](#), an olive-based, standardized parenteral nutrition solution with the highest protein and lowest glucose formulation available today
- Announced the appointment of [two new members to Baxter's board of directors](#) who bring leadership and expertise that will support the company's ongoing transformation:

- Patricia (Patty) B. Morrison, former Cardinal Health executive vice president and chief information officer, whose vast information technologies expertise will help advance Baxter's digital health strategies
- Amy A. Wendell, former Covidien senior vice president of strategy and business development, whose experience will be an asset as Baxter continues to evaluate potential inorganic growth opportunities

Baxter's progress continues into 2019, as reflected in additional highlights to open the year. Most recently the company:

- Began patient treatments in the U.S. clinical trial for Baxter's [on-demand peritoneal dialysis \(PD\) solution generation system](#), an innovative technology designed to improve the patient experience and simplify therapy management by making PD solutions in small batches in the patient's home
- Reached a milestone [5 million home dialysis treatments](#) managed globally using Baxter's **Sharesource** remote patient management (telehealth) platform, which is embedded in the company's **Amia**, **Kaguya** and **HomeChoice Claria** APD systems

In addition, Baxter continues to be recognized for its commitment to corporate social responsibility and workplace excellence. The company was recently:

- Named by Forbes and Just Capital to the 2019 Just 100 list of America's Best Corporate Citizens
- Named to Forbes' list of The Best Employers for Diversity 2019

The company would also like to note that the United States Department of Justice, Washington Criminal Section of the Antitrust Division, has advised Baxter that it has officially closed its grand jury investigation of the saline market, and Baxter is no longer a subject or target of that investigation.



2019 Financial Outlook

For full-year 2019: Baxter expects sales growth of 0 to 1 percent on a reported basis, 2 to 3 percent on a constant currency basis and 3 to 4 percent on an operational basis. The company expects adjusted earnings from continuing operations, before special items, of \$3.22 to \$3.30 per diluted share.

For first-quarter 2019: The company expects sales to decline approximately 3 percent on a reported basis, to increase approximately 1 percent on a constant currency basis and to grow approximately 1 to 2 percent on an operational basis. The company expects adjusted earnings from continuing operations, before special items, of \$0.66 to \$0.68 per diluted share.

Full-year and first-quarter operational sales estimates for 2019 have been adjusted for the impact of foreign exchange and generic competition for U.S. cyclophosphamide.

Please see the schedules accompanying this press release for reconciliations of non-GAAP measures to the most closely related GAAP measures.

A webcast of Baxter's fourth-quarter 2018 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. CST on Jan. 31, 2019. Please see www.baxter.com for more information regarding this and future investor events and webcasts.

About Baxter

Every day, millions of patients and caregivers rely on Baxter's leading portfolio of critical care, nutrition, renal, hospital and surgical products. For more than 85 years, we've been operating at the critical intersection where innovations that save and sustain lives meet the healthcare providers that make it happen. With products, technologies and therapies available in more than 100 countries, Baxter's employees worldwide are now building upon the company's rich heritage of medical breakthroughs to advance the next generation of transformative healthcare innovations. To learn more, visit www.baxter.com and follow us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

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 the first quarter and full year 2019. 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; product development risks; product quality or patient safety concerns; continuity, availability and pricing of acceptable raw materials and component supply; inability to create additional production capacity in

a timely manner or the occurrence of other manufacturing or supply difficulties (including as a result of a natural disaster or otherwise); breaches or failures of the company's information technology systems or products, including by cyberattack, unauthorized access or theft; future actions of regulatory bodies and other governmental authorities, including 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 acquisitions of Claris Injectables and two surgical products from Mallinckrodt plc); 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 (including potential trade wars); fluctuations in foreign exchange and interest rates; any change in law concerning the taxation of income (including current or future tax reform), including income earned outside the United States and potential taxes associated with the Base Erosion and Anti-Abuse Tax; actions taken by tax authorities in connection with ongoing tax audits; 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.

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