



FOR IMMEDIATE RELEASE

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BAXTER REPORTS SECOND-QUARTER 2020 RESULTS

- *Second-quarter revenue of \$2.7 billion decreased 4% on a reported basis, 1% on a constant currency basis and 2% on an operational basis¹*
- *Second-quarter U.S. GAAP earnings per share (EPS) of \$0.48 declined 20%; adjusted EPS of \$0.64 declined 24%*
- *Baxter expects full-year 2020 reported sales growth between -1% to +1%; constant currency and operational sales growth of flat to up low single digits*
- *Baxter expects full-year U.S. GAAP EPS of \$2.40 to \$2.50; adjusted EPS of \$3.00 to \$3.10*

DEERFIELD, Ill., JULY 30, 2020 – Baxter International Inc. (NYSE:BAX), a leading global medical products company, today reported results for the second quarter of 2020 and provided its outlook for full-year 2020.

“Baxter colleagues worldwide continue to address the urgent needs of patients, clinicians and first responders in the ongoing battle against COVID-19, while bringing our life-sustaining products to all those who depend on us for chronic and acute care,” said José (Joe) E. Almeida, chairman and chief executive officer. “Our medically essential portfolio, geographic reach, and the power of our business transformation strengthen our underlying resilience as we navigate today’s unprecedented landscape, position for tomorrow’s challenges, and embrace our strategic opportunities. I am proud of our 50,000 employees, who are motivated by our Mission to Save and Sustain Lives and dedicated to enhancing value for all of our stakeholders.”

¹ See tables to the press release for reconciliations of non-GAAP measures used in this press release to the corresponding U.S. GAAP measures.



Second-Quarter Financial Results

Worldwide sales in the second quarter totaled approximately \$2.7 billion, a decrease of 4% on a reported basis, 1% on a constant currency basis and 2% on an operational basis compared to the prior-year period. Operational sales in the second quarter exclude the impact of foreign exchange and the company's recent acquisition of **Seprafilm**.

Sales in the U.S. totaled \$1.1 billion, decreasing 6% on a reported basis and 7% on an operational basis. International sales of \$1.6 billion decreased 3% on a reported basis and increased 1% on both a constant currency and operational basis.

Among Baxter's global business units (GBUs), Acute Therapies delivered growth on both a reported and constant currency basis of over 40% in the quarter, reflecting increased product demand due to the COVID-19 pandemic. The company's Renal Care and Clinical Nutrition GBUs also contributed to performance in the quarter, advancing low single digits on a reported basis and mid-single digits on a constant currency basis. This helped partially offset declines in Baxter's Medication Delivery, Pharmaceuticals, and Advanced Surgery businesses, which were negatively impacted by lower rates of hospital admissions and declines of elective surgeries in the wake of the pandemic. Demand in the second quarter was also affected by increased customer purchases late in the first quarter, as hospitals prepared for the expected inflow of COVID-19 patients. Sales in Baxter's Americas geographic region declined 7% on a reported basis and 5% on a constant currency basis; sales in Europe, Middle East and Africa (EMEA) declined 1% on a reported basis and increased 1% on a constant currency basis; and in Asia Pacific (APAC), reported and constant currency sales increased 1% and 5%, respectively.

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

For the second quarter, net income attributable to Baxter was \$246 million, or \$0.48 per diluted share, a decline of 20% on a U.S. GAAP (Generally Accepted Accounting Principles) basis. These results include special items totaling \$83 million after-tax, which were primarily related to intangible asset amortization, intangible asset impairment expenses and business optimization charges. On an adjusted basis, net income attributable to Baxter totaled \$329 million in the second quarter, or \$0.64 per diluted share. Adjusted earnings per diluted share declined 24% in the quarter, reflecting lower sales and increased manufacturing and logistics related expenses resulting from the

impact of COVID-19, as well as incremental interest expense and a higher tax rate as compared to the prior-year period.

First-Half 2020 Financial Results

Baxter's first-half 2020 worldwide sales totaled approximately \$5.5 billion, an increase of 1% on a reported basis and 3% on both a constant currency and operational basis compared to the same period in 2019. Year-to-date operational sales exclude the impact of foreign exchange and the company's recent acquisition of **Seprafilm**.

Sales in the U.S. totaled \$2.3 billion, increasing 1% on a reported basis and remaining even with year-to-date 2019 performance on an operational basis. International sales of approximately \$3.2 billion increased 1% on a reported basis, 5% on a constant currency basis and 4% on an operational basis.

All three of Baxter's geographic segments contributed to positive sales performance year to date at constant currency rates. Among Baxter's GBUs, constant currency growth in Acute Therapies, Clinical Nutrition, and Renal Care helped offset flat to declining growth in Medication Delivery, Pharmaceuticals, and Advanced Surgery. The accompanying schedules include additional details on sales performance by geographic segment and GBU.

On a U.S. GAAP basis, first-half 2020 net income attributable to Baxter totaled \$578 million, or \$1.12 per diluted share, declining 11% as compared to the prior-year period. These results include special items totaling \$176 million after-tax, which were primarily related to intangible asset amortization, acquisition and integration expenses, business optimization charges, and costs related to the investigation of foreign exchange gains and losses and related legal matters. On an adjusted basis, net income attributable to Baxter for the year-to-date period totaled \$754 million, or \$1.46 per diluted share, decreasing 9% compared to the prior-year period.

Business Highlights²

Baxter continues to achieve notable strategic milestones in pursuit of its Mission for patients. Among recent highlights, the company:

² See links to original press releases for additional product information.

- Announced CE marking in Europe and regulatory approval from Australia's Therapeutic Goods Administration (TGA) for the [Evo IQ Syringe Infusion System](#), which can be used to deliver small volumes of medications and other fluids to patients in a controlled manner. The device is part of the broader **Evo IQ** Infusion Platform and is supported by Baxter's web-based **Dose IQ** Safety Software and wireless **IQ Enterprise** Connectivity Suite to help reduce potentially harmful programming errors.
- Received U.S. Food and Drug Administration (FDA) clearance of [Altapore Shape Bioactive Bone Graft](#), the latest addition to Baxter's next-generation bone graft substitute product line. The product is designed to enhance bone growth and help achieve fusion, which can lead to reduced pain and other improved clinical outcomes for patients.
- Announced [results of the Fluid Response Evaluation in Sepsis Hypotension and Shock \(FRESH\) study](#) using the **Starling** Fluid Management Monitoring System, recently published in the CHEST medical journal, the official publication of the American College of Chest Physicians. Performed at 13 hospitals across the United States and United Kingdom, the FRESH study demonstrates lower net fluid balance, reduced mechanical ventilation, and reduced kidney injury in septic shock patients when a non-invasive dynamic assessment is used to guide intravenous (IV) fluid and vasopressor administration.

Corporate Responsibility

Last month, in response to horrific actions against the Black community in the United States, Baxter's senior leadership team [announced a formal commitment](#) to stand up against racial injustice. Working in close collaboration with the company's Baxter Black Alliance business resource group, Baxter has now launched a multi-dimensional initiative to advance inclusion and racial justice within the workplace and among the communities and markets Baxter serves. The company is fully committed to promoting the power of diversity worldwide in support of its Mission to Save and Sustain Lives.

Baxter's progress toward realizing its corporate citizenship priorities and goals is addressed in its annual [Corporate Responsibility Report](#), published in June. The report details key developments in driving the sustainability of products and operations, improving access to care for underserved communities, and fostering a best place to work.

Baxter continues to be recognized for its commitment to corporate social responsibility and workplace excellence. The company most recently:

- Ranked in the top 10% on Disability:IN's [Disability Equality Index](#), designating Baxter as a Best Place to Work for Disability Inclusion.
- Was named to 3BL Media's list of 100 Best Corporate Citizens for 2020.
- Was recognized by Forbes as one of the Best Employers for Women 2020.

2020 Financial Outlook

For full-year 2020, Baxter expects sales growth compared to the prior-year period to be between -1% to 1% on a reported basis and to be flat to up low single digits on both a constant currency and operational basis. The company expects U.S. GAAP earnings of \$2.40 to \$2.50 per share and adjusted earnings, before special items, of \$3.00 to \$3.10 per share. This outlook assumes, among other things, a sequential improvement on a quarterly basis in both hospital admissions and surgical volumes, although still below prior-year levels.

A webcast of Baxter's second-quarter 2020 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 30, 2020. 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](#).

Non-GAAP Financial Measures

This press release and the accompanying tables contain financial measures that are not calculated in accordance with U.S. GAAP. The non-GAAP financial measures include adjusted gross margin, adjusted selling, general and administrative expense, adjusted research and development expense, adjusted other operating income, net, adjusted operating income, adjusted operating margin, adjusted income before income taxes, adjusted income tax expense, adjusted net income, adjusted net income attributable to Baxter stockholders, and adjusted diluted earnings per share, all

of which exclude special items, sales growth on a constant currency and operational basis, and free cash flow. Special items are excluded because they are highly variable or unusual, and of a size that may substantially affect the company's reported operations for a period. Certain of those items represent estimates based on information reasonably available at the time of the press release. Future events or new information may result in different actual results.

Net sales growth rates are presented on a constant currency basis. These measures provide information on the percentage change in net sales growth assuming that foreign currency exchange rates have not changed between the prior and current periods. Net sales growth rates are also presented on an operational basis. For the quarter and year-to-date periods ended June 30, 2020 and projected full-year 2020, operational sales growth excludes the impact of foreign exchange and the company's recent acquisition of **Seprafilm**. This measure provides information on the change in net sales growth rates assuming that foreign exchange rates remain constant and excluding the impact of the company's recent acquisition of **Seprafilm**.

For the quarter and year-to-date periods ended June 30, 2020 and projected full-year 2020, special items include intangible asset amortization and impairment charges, business optimization charges, acquisition and integration expenses, expenses related to European medical devices regulation, and investigation and related costs. These items are excluded because they are highly variable or unusual and of a size that may substantially impact the company's reported operations for a period. Additionally, intangible asset amortization is excluded as a special item to facilitate an evaluation of current and past operating performance and is consistent with how management and the company's Board of Directors assess performance.

Non-GAAP financial measures may enhance an understanding of the company's operations and may facilitate an analysis of those operations, particularly in evaluating performance from one period to another. Management believes that non-GAAP financial measures, when used in conjunction with the results presented in accordance with U.S. GAAP and the reconciliations to corresponding U.S. GAAP financial measures, may enhance an investor's overall understanding of the company's past financial performance and prospects for the future. Accordingly, management and the company's Board of Directors use these non-GAAP measures internally in financial planning, to monitor business unit performance, and, in some cases, for purposes of determining incentive compensation. This information should be considered in addition to, and not as substitutes for, information prepared in accordance with U.S. GAAP.

Forward-Looking Statements

This release includes forward-looking statements concerning the company's financial results and business development activities and outlook for full-year 2020. These forward-looking 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 (including the impact of reduced hospital admission rates and elective surgery volumes); 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, public health crises and epidemics/pandemics, regulatory actions or otherwise); the impact of global economic conditions (including potential trade wars) and public health crises and epidemics, such as the novel

*strain of coronavirus (COVID-19), including any potential resurgence, on us and our customers and suppliers, including foreign governments in countries in which we operate; breaches or failures of the company's information technology systems or products, including by cyberattack, unauthorized access or theft (as a result of increased remote working arrangements or otherwise); the adequacy of the company's cash flows from operations (which may be negatively impacted by collectability concerns as a result of the COVID-19 pandemic or otherwise) and other sources of liquidity to meet its ongoing cash obligations and fund its investment program; loss of key employees or inability to identify and recruit new employees; future actions of regulatory bodies and other governmental authorities, including the FDA, the Department of Justice, the SEC, the New York Attorney General and foreign regulatory agencies, including the continued delay in lifting the warning letter at our Ahmedabad facility or proceedings related to the investigation related to foreign exchange gains and losses; the outcome of pending or future litigation, including the opioid litigation and litigation related to our internal investigation of foreign exchange gains and losses; the impacts of the material weakness identified as a result of the internal investigation and our remediation efforts, including the risk that we may experience additional material weaknesses or other deficiencies; proposed regulatory changes of the U.S. Department of Health and Human Services in kidney health policy and reimbursement, which may substantially change the U.S. end stage renal disease market and demand for our peritoneal dialysis products, necessitating significant multi-year capital expenditures, which are difficult to estimate in advance; failures with respect to compliance programs; accurate identification of and execution on business development and R&D opportunities and realization of anticipated benefits (including the acquisitions of Cheetah Medical and **Seprafilm Adhesion Barrier** from Sanofi); 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; fluctuations in foreign exchange and interest rates; the ability to enforce owned or in-licensed patents or the prevention or restriction of the manufacture, sale or use of products or technology affected by patents of third parties; global, trade and tax policies; any change in laws 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; and other risks identified in Baxter's most recent filings on Forms 10-K and 10-Q and other SEC filings, all of which are available on Baxter's website. Baxter does not undertake to update its forward-looking statements unless otherwise required by the federal securities laws.*

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