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BAXTER REPORTS 2016 FOURTH-QUARTER AND FULL-YEAR RESULTS

- **Fourth-Quarter Revenue of \$2.6 Billion Increased 2 Percent on a Reported and Constant Currency Basis**
- **Fourth-Quarter GAAP Earnings Per Share of \$0.44; Adjusted Earnings Per Share of \$0.57 Increased 33 Percent**
- **Full-Year Revenue of \$10.2 Billion Increased 2 Percent on a Reported Basis and 4 Percent on a Constant Currency Basis**
- **Full-Year GAAP Earnings Per Share were \$9.01; Adjusted Earnings Per Share of \$1.96 Increased 42 Percent**
- **Company Generated Full-Year Operating Cash Flow of \$1.6 Billion and Free Cash Flow of \$905 Million**

DEERFIELD, Ill., February 1, 2017 – Baxter International Inc. (NYSE:BAX) today reported results for the fourth quarter ended December 31, 2016, and provided its guidance for the first quarter and full-year 2017.

“Baxter’s solid operational performance in 2016 was fueled by strong sales and disciplined execution across the organization,” said José (Joe) E. Almeida, chairman and chief executive officer. “We’ll continue to build on this momentum in 2017 and beyond, driven by new product launches, effective portfolio management and further progress on our business transformation initiatives – all in support of delivering sustainable top-quartile results for our shareholders, and advancing our mission to save and sustain lives.”

Fourth-Quarter Financial Results

Baxter reported income from continuing operations of \$240 million, or \$0.44 per diluted share, on a GAAP (Generally Accepted Accounting Principles) basis for the fourth quarter. These results included special items totaling \$134 million (\$72 million net after-tax), primarily related to business optimization initiatives and intangible asset amortization.

On an adjusted basis, excluding special items, Baxter's fourth quarter income from continuing operations totaled \$312 million, or \$0.57 per diluted share, exceeding the company's previously issued guidance of \$0.49 to \$0.52 per diluted share.

Baxter's worldwide sales totaled \$2.6 billion in the fourth quarter, an increase of 2 percent on both a reported and constant currency basis as compared to the prior-year period. Sales within the U.S. were \$1.1 billion, advancing 5 percent, while international sales totaled \$1.5 billion, representing a 1 percent decrease on a reported basis, and an increase of 1 percent on a constant currency basis. Adjusting for the impact of foreign exchange and generic competition for cyclophosphamide, Baxter's sales increased 7 percent in the U.S. and rose 3 percent globally in the fourth quarter.

By business, Hospital Products sales of \$1.6 billion in the fourth quarter increased 1 percent on a reported basis, and 1 percent on a constant currency basis. Adjusting for the impact of foreign exchange and cyclophosphamide, Hospital Products sales advanced 2 percent from the prior-year period. Hospital Products performance in the quarter benefited from strong sales of IV therapies, infusion pumps and related IV access administration sets in the U.S., along with

favorable demand for anesthesia and critical care products globally. This performance was partially offset by lower sales of IV solutions internationally, as the company implements actions to optimize its global product portfolio, as well as lower manufacturing service revenues from Shire, under the company's manufacturing and supply agreement with Baxalta.

Baxter's Renal sales totaled \$1 billion in the fourth quarter, representing a 3 percent increase on a reported basis, and a 5 percent increase on a constant currency basis. U.S. sales grew 7 percent to \$222 million, and international sales totaled \$793 million, representing growth of 2 percent on a reported basis, and an increase of 4 percent on a constant currency basis. Growth continued to be driven by robust sales of peritoneal dialysis products as well as increased demand for the company's acute renal care products.

During the quarter, Baxter repurchased \$247 million worth of common stock or approximately 5.4 million shares outstanding.

Summary of Full-Year 2016 Results

For full-year 2016, Baxter reported income from continuing operations of approximately \$5 billion, or \$9.01 per diluted share, on a GAAP basis. These results included a gain of \$4.4 billion (on a pre and post-tax basis), related to the company's disposition of its retained Baxalta shares. Partially offsetting these results were special items of \$817 million (\$557 million net after-tax) related to business optimization initiatives, intangible asset amortization, debt extinguishment costs, Baxalta-related spin-off costs and asset impairments.

On an adjusted basis, excluding special items, Baxter's full-year income from continuing operations totaled \$1.1 billion, or \$1.96 per diluted share.

Baxter's worldwide sales totaled \$10.2 billion in 2016, an increase of 2 percent on a reported basis and 4 percent on a constant currency basis as compared to the prior year. Sales within the United States totaled \$4.3 billion, improving 6 percent over the prior year. International sales totaled \$5.9 billion, representing a 1 percent decrease on a reported basis, and an increase of 3 percent on a constant currency basis. Adjusting for the impact of foreign exchange and generic competition for cyclophosphamide, Baxter's sales increased 9 percent in the U.S. and rose 5 percent globally.

Full-year sales for Hospital Products totaled \$6.3 billion, reflecting growth of 2 percent on a reported basis and 4 percent at constant currency. Adjusting for the impact of foreign exchange and cyclophosphamide, sales increased 5 percent. Baxter's Renal sales totaled \$3.9 billion, increasing 2 and 5 percent on a reported and constant currency basis, respectively.

In 2016, Baxter generated \$1.6 billion in operating cash flow, an increase of \$371 million driven by improved operational performance and implementation of new programs focused on improving the company's working capital. In addition, through disciplined management of expenditures Baxter reduced capital spending by \$192 million to \$711 million. As a result, the company generated an increase of \$563 million in free cash flow to \$905 million (operating cash flow less capital expenditures).

"We are extremely pleased with the significant improvements Baxter has made in free cash flow generation. Our progress in 2016 represented an increase

of more than 2.5 times as compared to 2015, and further supports our ability to reinvest in the business both organically and inorganically to drive accelerated growth,” said Jay Saccaro, Baxter’s chief financial officer.

Business Highlights

In 2016 Baxter continued delivering meaningful innovation for patients and expanded access to life-sustaining therapies through a combination of more than 20 new product launches, line extensions and geographic expansions, including: NUMETA G13E, the only triple-chamber commercially prepared parenteral nutrition system approved for vulnerable neonatal patients; HEMOPATCH, an advanced surgical patch; premix generic drugs such as VANCOMYCIN injection in 0.9% Sodium Chloride; new applications and features for the SIGMA SPECTRUM infusion system; and HDx therapy enabled by THERANOVA to provide high performance hemodialysis treatments.

Additionally, the company saw continued momentum with its new Automated Peritoneal Dialysis (APD) systems, AMIA in the U.S. and HOMECHOICE CLARIA outside the U.S., both featuring Baxter’s SHARESOURCE Connectivity Platform, the first and only two-way remote patient management system for home dialysis therapy.

In December, Baxter announced plans to expand its presence in the generic injectables space with the proposed acquisition of Claris Injectables Limited (Claris). The acquisition of Claris, which is expected to close in the second half of 2017, will provide Baxter with a currently marketed portfolio of molecules in anesthesia and analgesics, renal, anti-infectives and critical care in a

variety of presentations including bags, vials and ampoules, along with a robust pipeline and high-quality manufacturing capabilities. This acquisition will provide Baxter with a platform to establish a leadership position in generic injectables.

Over the course of the year, the company also took actions to significantly improve its balance sheet position and return value to shareholders through the disposition of the Baxalta retained stake, a \$1.6 billion debt offering to retire existing higher coupon rate bonds and pay off outstanding commercial paper, a 13 percent increase in its shareholder dividend and share repurchases of approximately \$300 million.

Financial Outlook

Baxter is providing its outlook for the full-year and first quarter of 2017:

- For full-year 2017, Baxter expects sales to be comparable to the prior-year period on a reported basis and to increase approximately 2 percent on a constant currency basis. Adjusting for the impact of generic cyclophosphamide competition (an estimated one percent) and selected strategic product exits the company is undertaking (an estimated one percent), Baxter expects underlying constant currency sales growth of approximately 4 percent. The company expects earnings from continuing operations, before special items, of \$2.10 to \$2.18 per diluted share. This guidance does not include any impact from the company's proposed acquisition of Claris, which is expected to close in the second half of 2017.
- For the first quarter, the company expects sales growth of approximately 2 to 3 percent on a reported basis, or 3 to 4 percent

on a constant currency basis. Adjusting for the impact of generic cyclophosphamide competition (an estimated one-half percent) and selected strategic product exits the company is undertaking (an estimated one and a half percent), Baxter expects underlying constant currency sales growth of 5 to 6 percent. The company expects earnings from continuing operations, before special items, of \$0.50 to \$0.52 per diluted share.

The reconciliations between the projected 2017 adjusted diluted earnings per share and projected GAAP diluted earnings per share follows:

2017 Earnings per Share Guidance	Q1 2017	FY 2017
Diluted Earnings per Share - Adjusted	\$0.50 - \$0.52	\$2.10 - \$2.18
Estimated intangible asset amortization	\$0.04	\$0.18
Estimated business optimization charges	\$0.05 - \$0.06	\$0.31 - \$0.38
Estimated Baxalta separation-related expenses	\$0.01	\$0.02
Diluted Earnings per Share – GAAP	\$0.39 - \$0.42	\$1.52 - \$1.67

These estimates are based on information reasonably available at the time of this release and future events or new information may result in different actual results.

A webcast of Baxter's fourth quarter investor conference call can be accessed live from a link on the company's website at www.baxter.com beginning at 7:30 a.m. CST on February 1, 2017. Please visit the Investors section at www.baxter.com for a supplemental presentation regarding fourth quarter and full-year performance, as well as for information on future investor events and webcasts.

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; biosurgery 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, planned acquisition of Claris, R&D pipeline including results of clinical trials and planned product launches, and outlook for 2017. 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: failure to achieve the company's long-term financial improvement goals; 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 and foreign counterparts; failures with respect to the company's 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 regulatory, trade and tax policies; accurate identification of and execution on business development and R&D opportunities and realization of anticipated benefits (including with respect to the proposed Claris acquisition); fluctuations in supply and demand; the availability and pricing of acceptable raw materials and component supply; the inability to create timely production capacity or other manufacturing supply difficulties; 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; the impact of any future tax liability with respect to the separation of the company's biopharmaceutical and medical products businesses (including the 2016 disposition of the company's retained stake in Baxalta); fluctuations in foreign exchange and 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.

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