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**BAXTER REPORTS SECOND QUARTER 2016 RESULTS AND RAISES  
FINANCIAL OUTLOOK FOR FULL-YEAR 2016**

**Strong Operational Performance Across Baxter's Portfolio Contributed to  
Growth in Second Quarter**

**Second Quarter GAAP Earnings Per Share Were \$2.19; Adjusted Earnings  
Per Share Were \$0.46**

DEERFIELD, Ill., July 26, 2016 – Baxter International Inc. (NYSE:BAX) today reported results for the second quarter of 2016, and increased its sales and earnings per share outlook for full-year 2016. Baxter's second quarter worldwide sales totaled \$2.6 billion, an increase of 4 percent on a reported basis and 6 percent on a constant currency basis as compared to the prior-year period.

“Our second quarter results reflect the steady progress we are making on our strategy to drive industry-leading performance through a disciplined focus on portfolio management and innovation, operational excellence and capital allocation,” said José (Joe) E. Almeida, chairman and chief executive officer.

**Financial Results**

During the quarter, Baxter reported income from continuing operations of \$1.2 billion, or \$2.19 per diluted share, on a GAAP (Generally Accepted Accounting Principles) basis. These results included an after-tax net gain of approximately \$1.1 billion from the disposition of the company's remaining shares of Baxalta Incorporated (Baxalta), which the company spun-off in July 2015.

Partially offsetting these results were net after-tax special items totaling \$192 million primarily related to business optimization initiatives, intangible asset amortization, asset impairment and Baxalta related spin-off costs.

On an adjusted basis, excluding special items, Baxter's second quarter income from continuing operations totaled \$256 million, or \$0.46 per diluted share, exceeding the company's previously-issued guidance of \$0.38 to \$0.40 per diluted share.

Baxter's second quarter worldwide sales totaled \$2.6 billion, an increase of 4 percent on a reported basis and 6 percent on a constant currency basis as compared to the prior-year period. Sales within the United States were \$1.1 billion, advancing 10 percent, while international sales totaled \$1.5 billion, representing a 1 percent increase on a reported basis, and an increase of 3 percent on a constant currency basis. Adjusting for the impact of foreign exchange and a generic market entrant in the United States for the company's oncology injectable, cyclophosphamide, Baxter's sales increased 12 percent in the U.S. and globally rose 7 percent in the second quarter.

By business, Hospital Products sales of \$1.6 billion increased 6 percent on a reported basis and 7 percent on a constant currency basis. Adjusting for the impact of foreign exchange and U.S. cyclophosphamide, Hospital Products sales advanced 9 percent from the prior year period. Hospital Products performance in the quarter benefited from strong sales across the portfolio, particularly within its U.S. Fluid Systems franchise, driven by solid demand for Baxter's next-generation SIGMA SPECTRUM infusion pump as well as favorable demand and pricing for

IV solutions. Strength internationally in anesthesia products and hospital pharmacy compounding services also contributed to growth in the quarter.

Baxter's Renal sales totaled \$965 million, representing a 2 percent increase on a reported basis, and a 4 percent increase on a constant currency basis. Increased demand globally for continuous renal replacement therapies along with strong sales of peritoneal dialysis products contributed to growth in the quarter. Baxter's new AMIA Automated Peritoneal Dialysis (APD) System with the SHARESOURCE Connectivity Platform, which was launched in the U.S. in late 2015 and was recently approved by Health Canada, is contributing to growth with more than 500 patients now being treated with AMIA in the U.S. The AMIA APD and SHARESOURCE system is the first APD device cleared in the United States and Canada to include patient-centric features such as voice guidance, a touchscreen control panel and two-way telemedicine capabilities for remote patient management.

During the second quarter, Baxter also completed the disposition of its retained stake in Baxalta, which included an equity contribution of approximately \$700 million to the company's U.S. pension plan. It also included completion of an equity-for-equity share exchange which resulted in a reduction of Baxter's outstanding share count of approximately 11 million.

"The successful disposition of the retained equity stake in Baxalta allowed us to effectively restructure our balance sheet and provides us with significant flexibility to invest in both organic and inorganic growth initiatives while also returning value to shareholders through dividends and stock repurchases," said Jay Saccaro, Baxter's chief financial officer.

## **Financial Outlook**

Based on the company's strong performance in the first six months of the year, Baxter is raising its financial outlook for full-year 2016. For full-year 2016, Baxter now expects reported sales growth of 1 percent to 2 percent and on a constant currency basis, sales growth of 3 percent to 4 percent. In addition, the company now expects earnings from continuing operations, before special items, of \$1.69 to \$1.74 per diluted share for the full year as compared to previous guidance of \$1.59 to \$1.67 per diluted share.

For the third quarter, the company expects reported sales growth of 2 percent to 3 percent and on a constant currency basis, sales growth of 3 percent to 4 percent. Baxter expects earnings from continuing operations, before special items, of \$0.43 to \$0.45 per diluted share for the third quarter of 2016.

The earnings guidance for the third quarter and full-year 2016 excludes \$0.05 and \$0.22, respectively, per diluted share of intangible asset amortization expense; an estimated \$0.02 and \$0.08, respectively, per diluted share of Baxalta separation-related expense activities; an estimated \$0.09 to \$0.11 and \$0.38 to \$0.40, respectively, per diluted share of business optimization charges; and \$7.88 per diluted share of asset impairment, debt extinguishment loss, product related reserve adjustments, and Baxalta retained stake gains for full-year 2016. 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. Reconciling for the inclusion of these items results in GAAP earnings of \$0.25 to \$0.29 per diluted share for the third quarter of 2016, and \$8.87 to \$8.94 per diluted share for full-year 2016.

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, 2016. Please see [www.baxter.com](http://www.baxter.com) for more information regarding this and 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, R&D pipeline including results of clinical trials and planned product launches, and outlook for 2016. 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 and foreign counterparts; failures with respect to compliance programs; future actions of third-parties, including payers; US 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; 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 (including targeted margin improvements) 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 interest rates (including with respect to emerging market currencies); 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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