

FOR IMMEDIATE RELEASE

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**BAXTER REPORTS THIRD QUARTER 2016 RESULTS AND INCREASES  
FINANCIAL OUTLOOK FOR FULL-YEAR 2016**

**Strong Operational Performance Contributes to Margin Improvement**

**Third Quarter GAAP Earnings per Share of \$0.23;  
Adjusted Earnings per Share of \$0.56 increased 37 percent**

DEERFIELD, Ill., October 25, 2016 – Baxter International Inc. (NYSE:BAX) today reported results for the third quarter of 2016, and increased its earnings per share outlook for full-year 2016. Baxter's third quarter worldwide sales totaled \$2.6 billion, an increase of 3 percent on a reported basis and 4 percent on a constant currency basis as compared to the prior-year period.

“We are pleased with the continued strength across our core franchises as well as our improved financial performance, both of which are reflected in our third quarter results,” said José (Joe) E. Almeida. “Given this progress, we are intensifying our focus on portfolio management and innovation to accelerate our efforts to introduce new products and therapies.”

**Financial Results**

During the quarter, Baxter reported income from continuing operations of \$127 million, or \$0.23 per diluted share, on a GAAP (Generally Accepted Accounting Principles) basis. These results included net after-tax special items totaling \$184 million, primarily related to business optimization initiatives,

intangible asset amortization, debt extinguishment and Baxalta related spin-off costs.

On an adjusted basis, excluding special items, Baxter's third quarter income from continuing operations totaled \$311 million, or \$0.56 per diluted share, exceeding the company's previously-issued guidance of \$0.43 to \$0.45 per diluted share.

Baxter's worldwide sales totaled \$2.6 billion in the third quarter, an increase of 3 percent on a reported basis and 4 percent on a constant currency basis as compared to the prior-year period. Sales within the U.S. were \$1.1 billion, advancing 6 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, generic competition for cyclophosphamide, and 2015 PROTOPAM orders, Baxter's sales increased 12 percent in the U.S. and rose 6 percent globally in the third quarter.

By business, Hospital Products sales of \$1.6 billion in the third quarter increased 2 percent on a reported basis and 3 percent on a constant currency basis. Adjusting for the impact of foreign exchange, cyclophosphamide and PROTOPAM, Hospital Products sales advanced 7 percent from the prior-year period. Hospital Products performance in the quarter benefited from strong sales across the portfolio, driven by increased demand and favorable pricing in the U.S. for the company's IV solutions, nutritional therapies, pharmacy injectables and IV access administration sets. Strength internationally in the company's hospital

pharmacy compounding services and cytotoxic contract manufacturing business also contributed to growth in the quarter.

Baxter's Renal sales totaled \$977 million in the third quarter, representing a 4 percent increase on a reported basis, and a 6 percent increase on a constant currency basis. Growth was driven by strong sales of peritoneal dialysis products as well as increased demand globally for continuous renal replacement therapies. Contributing to growth in the quarter were the recent launches of Baxter's new Automated Peritoneal Dialysis (APD) systems, AMIA in the U.S. and HOMECHOICE CLARIA outside the U.S. Both of these systems utilize Baxter's SHARESOURCE Connectivity Platform, which is the first and only two-way, remote patient management system for home dialysis therapy globally.

### **Financial Outlook**

Based on the company's strong performance in the first three quarters of the year, Baxter is raising its financial outlook for full-year 2016 including sales growth of approximately 2 percent on a reported basis or 4 percent on a constant currency basis, and earnings from continuing operations, before special items, of \$1.88 to \$1.91 per diluted share for the full year. Previous guidance called for reported sales of 1 to 2 percent (or 3 to 4 percent constant currency) and earnings of \$1.69 to \$1.74 per diluted share.

For the fourth quarter, the company expects sales growth of approximately 2 percent on both a reported and constant currency basis. Baxter expects earnings from continuing operations, before special items, of \$0.49 to \$0.52 per diluted share for the fourth quarter of 2016.

The earnings per share guidance for the fourth quarter and full-year 2016 excludes \$0.05 and \$0.22, respectively, per diluted share of intangible asset amortization expense; an estimated \$0.01 and \$0.07, respectively, per diluted share of Baxalta separation-related expense activities; an estimated \$0.07 and \$0.51, respectively, per diluted share of business optimization charges; and \$7.84 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 \$0.36 to \$0.39 per diluted share for the fourth quarter of 2016, and \$8.92 to \$8.95 per diluted share for full-year 2016.

A webcast of Baxter's third 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 October 25, 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; 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; 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; 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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