

**BAXTER INTERNATIONAL INC.**  
**Consolidated Statements of Income**  
**Three Months Ended March 31, 2016 and 2015**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

	Three Months Ended March 31,		Change
	2016	2015	
NET SALES	\$2,375	\$2,403	(1%)
COST OF SALES	1,410	1,384	2%
<b>GROSS MARGIN</b>	<b>965</b>	<b>1,019</b>	<b>(5%)</b>
<i>% of Net Sales</i>	<i>40.6%</i>	<i>42.4%</i>	<i>(1.8 pts)</i>
MARKETING AND ADMINISTRATIVE EXPENSES	641	784	(18%)
<i>% of Net Sales</i>	<i>27.0%</i>	<i>32.6%</i>	<i>(5.6 pts)</i>
RESEARCH AND DEVELOPMENT EXPENSES	136	143	(5%)
<i>% of Net Sales</i>	<i>5.7%</i>	<i>6.0%</i>	<i>(0.3 pts)</i>
<b>OPERATING INCOME</b>	<b>188</b>	<b>92</b>	<b>104%</b>
<i>% of Net Sales</i>	<i>7.9%</i>	<i>3.8%</i>	<i>4.1 pts</i>
NET INTEREST EXPENSE	28	30	(7%)
OTHER INCOME, NET <sup>A</sup>	(3,169)	(86)	NM
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>3,329</b>	<b>148</b>	<b>NM</b>
INCOME TAX (BENEFIT) EXPENSE	(58)	14	NM
<i>% of Income from Continuing Operations before Income Taxes</i>	<i>-1.7%</i>	<i>9.5%</i>	<i>(11.2 pts)</i>
INCOME FROM CONTINUING OPERATIONS	3,387	134	NM
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX <sup>B</sup>	(7)	296	(102%)
<b>NET INCOME</b>	<b>\$3,380</b>	<b>\$430</b>	<b>NM</b>
<b>INCOME FROM CONTINUING OPERATIONS PER COMMON SHARE</b>			
Basic	\$6.17	\$0.25	NM
Diluted	\$6.13	\$0.24	NM
<b>INCOME FROM DISCONTINUED OPERATIONS PER COMMON SHARE</b>			
Basic	-\$0.01	\$0.54	(102%)
Diluted	-\$0.01	\$0.54	(102%)
<b>NET INCOME PER COMMON SHARE</b>			
Basic	\$6.16	\$0.79	NM
Diluted	\$6.12	\$0.78	NM
<b>WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
Basic	549	543	
Diluted	552	548	
ADJUSTED OPERATING INCOME (excluding special items)	\$249 <sup>C</sup>	\$161 <sup>C</sup>	55%
ADJUSTED PRE-TAX INCOME FROM CONTINUING OPERATIONS (excluding special items)	\$248 <sup>C</sup>	\$217 <sup>C</sup>	14%
ADJUSTED INCOME FROM CONTINUING OPERATIONS (excluding special items)	\$199 <sup>C</sup>	\$187 <sup>C</sup>	6%
ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS (excluding special items)	\$0.36 <sup>C</sup>	\$0.34 <sup>C</sup>	6%

NM - Not Meaningful

<sup>A</sup> Other Income, net for the period ended March 31, 2016 includes \$3.2 billion net realized gains on the Retained Shares transactions and a \$101 million net debt extinguishment loss.

<sup>B</sup> Operating results from Baxalta are classified as discontinued operations for all periods presented.

<sup>C</sup> Refer to page 8 for a description of the adjustments and a reconciliation to generally accepted accounting principles (GAAP) measures.

**BAXTER INTERNATIONAL INC.**  
**Note to Consolidated Statements of Income**  
**Three Months Ended March 31, 2016 and 2015**  
**Description of Adjustments and Reconciliation of GAAP to Non-GAAP Measures**  
**(unaudited)**  
**(in millions, except per share and percentage data)**

The company's GAAP results for the three months ended March 31, 2016 and 2015 included special items which impacted the GAAP measures as follows:

	Three Months Ended March 31,		Change
	2016	2015	
<b>Gross Margin</b>	<b>\$965</b>	<b>\$1,019</b>	<b>(5%)</b>
Intangible asset amortization expense <sup>1</sup>	40	40	
Business optimization items <sup>2</sup>	12	(7)	
Product-related items <sup>3</sup>	(12)	-	
<b>Adjusted Gross Margin</b>	<b>\$1,005</b>	<b>\$1,052</b>	<b>(4%)</b>
<b>% of Net Sales</b>	<b>42.3%</b>	<b>43.8%</b>	<b>(1.5 pts)</b>
<b>Marketing and Administrative Expenses</b>	<b>\$641</b>	<b>\$784</b>	<b>(18%)</b>
Business optimization items <sup>2</sup>	(3)	(24)	
Separation-related costs <sup>4</sup>	(18)	(12)	
<b>Adjusted Marketing and Administrative Expenses</b>	<b>\$620</b>	<b>\$748</b>	<b>(17%)</b>
<b>% of Net Sales</b>	<b>26.1%</b>	<b>31.1%</b>	<b>(5 pts)</b>
<b>Research and Development Expenses</b>	<b>\$136</b>	<b>\$143</b>	<b>(5%)</b>
<b>% of Net Sales</b>	<b>5.7%</b>	<b>6.0%</b>	<b>(0.3 pts)</b>
<b>Operating Income</b>	<b>\$188</b>	<b>\$92</b>	<b>104%</b>
Impact of special items	61	69	
<b>Adjusted Operating Income</b>	<b>\$249</b>	<b>\$161</b>	<b>55%</b>
<b>% of Net Sales</b>	<b>10.5%</b>	<b>6.7%</b>	<b>3.8 pts</b>
<b>Other Income, Net</b>	<b>\$(3,169)</b>	<b>\$(86)</b>	<b>NM</b>
Net realized gains on Retained Share transactions <sup>5</sup>	3,243	-	
Loss on debt extinguishment <sup>6</sup>	(101)	-	
<b>Adjusted Other Income, Net</b>	<b>\$(27)</b>	<b>\$(86)</b>	<b>(69%)</b>
<b>Pre-Tax Income from Continuing Operations</b>	<b>\$3,329</b>	<b>\$148</b>	<b>NM</b>
Impact of special items	(3,081)	69	
<b>Adjusted Pre-Tax Income from Continuing Operations</b>	<b>\$248</b>	<b>\$217</b>	<b>14%</b>
<b>Income Tax (Benefit) Expense</b>	<b>\$(58)</b>	<b>\$14</b>	<b>NM</b>
Impact of special items	107	16	
<b>Adjusted Income Tax Expense</b>	<b>\$49</b>	<b>\$30</b>	<b>63%</b>
<b>% of Adjusted Pre-Tax Income from Continuing Operations</b>	<b>19.8%</b>	<b>13.8%</b>	<b>6 pts</b>
<b>Income from Continuing Operations</b>	<b>\$3,387</b>	<b>\$134</b>	<b>NM</b>
Impact of special items	(3,188)	53	
<b>Adjusted Income from Continuing Operations</b>	<b>\$199</b>	<b>\$187</b>	<b>6%</b>
<b>Diluted EPS from Continuing Operations</b>	<b>\$6.13</b>	<b>\$0.24</b>	<b>NM</b>
Impact of special items	(5.77)	0.10	
<b>Adjusted Diluted EPS from Continuing Operations</b>	<b>\$0.36</b>	<b>\$0.34</b>	<b>6%</b>
<b>WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
<b>Diluted</b>	<b>552</b>	<b>548</b>	

<sup>1</sup> The company's results in 2016 and 2015 included intangible asset amortization expense of \$40 million (\$29 million, or \$0.05 per diluted share, on an after-tax basis) and \$40 million (\$32 million, or \$0.06 per diluted share, on an after-tax basis), respectively.

<sup>2</sup> The company's results in 2016 included a net charge of \$15 million (\$10 million, or \$0.02 per diluted share, on an after-tax basis) related to business optimization initiatives. This included a net charge of \$4 million related to employee termination costs, \$7 million of Gambro integration costs and \$4 million of consulting fees and other costs associated with the company's business optimization programs. The company's results in 2015 included a business optimization net charge of \$17 million (\$12 million, or \$0.02 per diluted share, on an after-tax basis) which included a net benefit of \$1 million related to employee termination costs and \$18 million related to the integration of Gambro.

<sup>3</sup> The company's results in 2016 included a benefit of \$12 million (\$7 million, or \$0.01 per diluted share, on an after-tax basis) related to an adjustment to the SIGMA SPECTRUM infusion pump reserves.

<sup>4</sup> The company's results in 2016 and 2015 included costs incurred related to the Baxalta separation totaling \$18 million (\$12 million, or \$0.02 per diluted share, on an after-tax basis) and \$12 million (\$9 million, or \$0.02 per diluted share, on an after-tax basis), respectively.

<sup>5</sup> The company's results in 2016 included net realized gains of \$3.2 billion (\$3.3 billion, or \$5.97 per diluted share, on an after-tax basis), related to the debt-for-equity exchanges of the company's retained shares in Baxalta for certain company indebtedness (together the "Retained Shares transactions"). A tax benefit of \$54 million was recognized as a result of the Retained Shares transactions.

<sup>6</sup> The company's results in 2016 included a net debt extinguishment loss totaling \$101 million (\$65 million, or \$0.12 per diluted share, on an after-tax basis) related to the March 2016 debt-for-equity exchange for certain company indebtedness.

For more information on the company's use of non-GAAP financial measures in this press release, please see the company's Current Report on Form 8-K filed with the Securities and Exchange Commission on the date of this press release.

**BAXTER INTERNATIONAL INC.**  
**Net Sales**  
**Periods Ending March 31, 2016 and 2015**  
**(unaudited)**  
**(\$ in millions)**

	Q1 2016	Q1 2015	% Growth @ Actual Rates	% Growth @ Constant Rates
<b>Renal</b>				
United States	\$201	\$186	8%	8%
International	697	727	(4%)	5%
<b>Total Renal</b>	<b>\$898</b>	<b>\$913</b>	<b>(2%)</b>	<b>5%</b>
<b>Hospital Products</b>				
United States	\$791	\$759	4%	4%
International	686	731	(6%)	3%
<b>Total Hospital Products</b>	<b>\$1,477</b>	<b>\$1,490</b>	<b>(1%)</b>	<b>4%</b>
<b>Baxter International Inc.</b>				
United States	\$992	\$945	5%	5%
International	1,383	1,458	(5%)	4%
<b>Total Baxter</b>	<b>\$2,375</b>	<b>\$2,403</b>	<b>(1%)</b>	<b>4%</b>

**BAXTER INTERNATIONAL INC.**  
**Sales by Franchise**  
**Periods Ending March 31, 2016 and 2015**  
**(unaudited)**  
**(\$ in millions)**

	Q1 2016	Q1 2015	% Growth @ Actual Rates	% Growth @ Constant Rates
<b>Total Renal</b> <sup>1</sup>	<b>\$898</b>	<b>\$913</b>	<b>(2%)</b>	<b>5%</b>
<b>Hospital Products</b>				
Fluid Systems <sup>2</sup>	\$524	\$493	6%	11%
Integrated Pharmacy Solutions <sup>3</sup>	556	564	(1%)	3%
Surgical Care <sup>4</sup>	305	322	(5%)	(2%)
Other <sup>5</sup>	92	111	(17%)	(14%)
<b>Total Hospital Products</b>	<b>\$1,477</b>	<b>\$1,490</b>	<b>(1%)</b>	<b>4%</b>
<b>Total Baxter</b>	<b>\$2,375</b>	<b>\$2,403</b>	<b>(1%)</b>	<b>4%</b>

<sup>1</sup> Includes sales of the company's peritoneal dialysis, hemodialysis and continuous renal replacement therapies.

<sup>2</sup> Includes sales of the company's IV therapies, infusion pumps and administration sets.

<sup>3</sup> Includes sales of the company's premixed and oncology drug platforms, nutrition products and pharmacy compounding services.

<sup>4</sup> Includes sales of the company's inhaled anesthesia products as well as biological products and medical devices used in surgical procedures for hemostasis, tissue sealing and adhesion prevention.

<sup>5</sup> Includes sales primarily from the company's pharmaceutical partnering business.

**BAXTER INTERNATIONAL INC.**  
**Franchise Sales by U.S. and International**  
**Periods Ending March 31, 2016 and 2015**  
**(unaudited)**  
**(\$ in millions)**

	Q1 2016			Q1 2015			% Growth		
	U.S.	International	Total	U.S.	International	Total	U.S.	International	Total
<b>Total Renal</b>	<b>\$201</b>	<b>\$697</b>	<b>\$898</b>	<b>\$186</b>	<b>\$727</b>	<b>\$913</b>	<b>8%</b>	<b>(4%)</b>	<b>(2%)</b>
<b>Hospital Products</b>									
Fluid Systems	\$298	\$226	\$524	\$232	\$261	\$493	28%	(13%)	6%
Integrated Pharmacy Solutions	264	292	556	270	294	564	(2%)	(1%)	(1%)
Surgical Care	181	124	305	186	136	322	(3%)	(9%)	(5%)
Other	48	44	92	71	40	111	(32%)	10%	(17%)
<b>Total Hospital Products</b>	<b>\$791</b>	<b>\$686</b>	<b>\$1,477</b>	<b>\$759</b>	<b>\$731</b>	<b>\$1,490</b>	<b>4%</b>	<b>(6%)</b>	<b>(1%)</b>
<b>Total Baxter</b>	<b>\$992</b>	<b>\$1,383</b>	<b>\$2,375</b>	<b>\$945</b>	<b>\$1,458</b>	<b>\$2,403</b>	<b>5%</b>	<b>(5%)</b>	<b>(1%)</b>