

BAXTER INTERNATIONAL INC.
Consolidated Statements of Income
Three Months Ended March 31, 2018 and 2017
(unaudited)
(in millions, except per share and percentage data)

	Three Months Ended March 31,		Change
	2018	2017	
NET SALES	\$2,677	\$2,475	8%
COST OF SALES	1,563	1,431	9%
GROSS MARGIN	1,114	1,044	7%
<i>% of Net Sales</i>	<i>41.6%</i>	<i>42.2%</i>	<i>(0.6 pts)</i>
MARKETING AND ADMINISTRATIVE EXPENSES	622	564	10%
<i>% of Net Sales</i>	<i>23.2%</i>	<i>22.8%</i>	<i>0.4 pts</i>
RESEARCH AND DEVELOPMENT EXPENSES	140	127	10%
<i>% of Net Sales</i>	<i>5.2%</i>	<i>5.1%</i>	<i>0.1 pts</i>
CLARIS SETTLEMENT	(80)	-	NM
OPERATING INCOME	432	353	22%
<i>% of Net Sales</i>	<i>16.1%</i>	<i>14.3%</i>	<i>1.8 pts</i>
NET INTEREST EXPENSE	12	14	(14%)
OTHER (INCOME) EXPENSE, NET	(18)	11	NM
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	438	328	34%
INCOME TAX EXPENSE	49	55	(11%)
<i>% of Income from Continuing Operations before Income Taxes</i>	<i>11.2%</i>	<i>16.8%</i>	<i>(5.6 pts)</i>
INCOME FROM CONTINUING OPERATIONS	389	273	42%
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	-	(1)	NM
NET INCOME	\$389	\$272	43%
INCOME FROM CONTINUING OPERATIONS PER COMMON SHARE			
Basic	\$0.72	\$0.50	44%
Diluted	\$0.71	\$0.50	42%
INCOME (LOSS) FROM DISCONTINUED OPERATIONS PER COMMON SHARE			
Basic	\$0.00	\$0.00	NM
Diluted	\$0.00	(\$0.01)	NM
NET INCOME PER COMMON SHARE			
Basic	\$0.72	\$0.50	44%
Diluted	\$0.71	\$0.49	45%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	539	541	
Diluted	551	551	
ADJUSTED OPERATING INCOME (excluding special items)	\$448 ^A	\$415 ^A	8%
ADJUSTED PRE-TAX INCOME FROM CONTINUING OPERATIONS (excluding special items)	\$454 ^A	\$390 ^A	16%
ADJUSTED INCOME FROM CONTINUING OPERATIONS (excluding special items)	\$388 ^A	\$318 ^A	22%
ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS (excluding special items)	\$0.70 ^A	\$0.58 ^A	21%

^A Refer to page 8 for a description of the adjustments and a reconciliation to GAAP measures.

NM - Not Meaningful

BAXTER INTERNATIONAL INC.
Note to Consolidated Statements of Income
Three Months Ended March 31, 2018 and 2017
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, 2018 and 2017 included special items which impacted the GAAP measures as follows:

	Three Months Ended		Change
	2018	2017	
Gross Margin	\$1,114	\$1,044	7%
Intangible asset amortization expense ¹	41	38	
Business optimization items ²	6	16	
Clarix acquisition and integration expenses ³	3	-	
Litigation costs ⁴	8	-	
Adjusted Gross Margin	\$1,172	\$1,098	7%
% of Net Sales	43.8%	44.4%	(0.6 pts)
Marketing and Administrative Expenses	\$622	\$564	10%
Business optimization items ²	(29)	(15)	
Baxalta separation-related costs ⁵	-	(7)	
Clarix acquisition and integration expenses ³	(4)	-	
Litigation costs ⁴	(2)	-	
Historical rebate and discount adjustments ⁷	-	12	
Adjusted Marketing and Administrative Expenses	\$587	\$554	6%
% of Net Sales	21.9%	22.4%	(0.5 pts)
Research and Development Expenses	\$140	\$127	10%
Business optimization items ²	(3)	2	
Adjusted Research and Development Expenses	\$137	\$129	6%
% of Net Sales	5.1%	5.2%	(0.1 pts)
Clarix Settlement	\$(80)	\$-	NM
Clarix settlement ⁸	80	-	
Adjusted Clarix Settlement	\$-	\$-	0%
% of Net Sales	0.0%	0.0%	0 pts
Operating Income	\$432	\$353	22%
Impact of special items	16	62	
Adjusted Operating Income	\$448	\$415	8%
% of Net Sales	16.7%	16.8%	(0.1 pts)
Pre-Tax Income from Continuing Operations	\$438	\$328	34%
Impact of special items	16	62	
Adjusted Pre-Tax Income from Continuing Operations	\$454	\$390	16%
Income Tax Expense	\$49	\$55	(11%)
Impact of special items ⁶	17	17	
Adjusted Income Tax Expense	\$66	\$72	(8%)
% of Adjusted Pre-Tax Income from Continuing Operations	14.5%	18.5%	(4 pts)
Income from Continuing Operations	\$389	\$273	42%
Impact of special items	(1)	45	
Adjusted Income from Continuing Operations	\$388	\$318	22%
Diluted EPS from Continuing Operations	\$0.71	\$0.50	42%
Impact of special items	(0.01)	0.08	
Adjusted Diluted EPS from Continuing Operations	\$0.70	\$0.58	21%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Diluted	551	551	

¹ The company's results in 2018 and 2017 included intangible asset amortization expense of \$41 million (\$36 million, or \$0.06 per diluted share, on an after-tax basis) and \$38 million (\$28 million, or \$0.05 per diluted share, on an after-tax basis), respectively.

² The company's results in 2018 included a charge of \$38 million (\$34 million, or \$0.06 per diluted share, on an after-tax basis) related to business optimization initiatives. This included a charge of \$12 million related to restructuring activities, \$25 million of costs to implement business optimization programs which primarily included external consulting and project employee costs, and \$1 million of accelerated depreciation associated with facilities to be closed. The \$12 million of net restructuring charges included \$10 million of employee termination costs and \$2 million of asset impairment charges primarily related to facility closures.

The company's results in 2017 included a charge of \$29 million (\$21 million, or \$0.04 per diluted share, on an after-tax basis) related to business optimization initiatives. This included a net charge of \$3 million related to restructuring activities, \$21 million of costs to implement business optimization programs which primarily included external consulting and project employee costs, and \$5 million of accelerated depreciation associated with facilities to be closed. The \$3 million of net restructuring charges (\$2 million, or \$0.00 per diluted share, on an after-tax basis) included net \$2 million of employee termination costs and \$1 million related to contract termination costs.

³ The company's results in 2018 included acquisition and integration costs of \$7 million (\$6 million, or \$0.01 per diluted share, on an after-tax basis) related to the company's acquisition of Clarix Injectables Limited.

⁴ The company's results in 2018 included charges of \$10 million (\$9 million, or \$0.01 per diluted share, on an after-tax basis) related to product litigation.

⁵ The company's results in 2017 included costs incurred related to the Baxalta separation totaling \$7 million (\$5 million, or \$0.01 per diluted share, on an after-tax basis).

⁶ The company's results in 2018 included a benefit of \$8 million, or \$0.01 per diluted share, related to an update to the estimated impact of U.S. federal tax reform previously made by the company in addition to the tax impact of the other special items identified in this table.

⁷ The company's results in 2017 included a benefit of \$12 million (\$9 million, or \$0.02 per diluted share, on an after-tax basis) related to an adjustment to the company's historical rebates and discount reserves.

⁸ The company's results in 2018 included a benefit of \$80 million (\$78 million, or \$0.14 per diluted share, on an after-tax basis) for the settlement of certain claims related to the acquired operations of Clarix Injectables Limited.

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.

NM - Not Meaningful

BAXTER INTERNATIONAL INC.
Sales by Operating Segment
Periods Ending March 31, 2018 and 2017
(unaudited)
(\$ in millions)

	Q1 2018	Q1 2017	% Growth @ Actual Rates	% Growth @ Constant Rates
Americas	\$1,442	\$1,373	5%	4%
EMEA	724	631	15%	3%
APAC	511	471	8%	3%
Total Baxter	\$2,677	\$2,475	8%	4%

BAXTER INTERNATIONAL INC.
Sales by GBU
Periods Ending March 31, 2018 and 2017
(unaudited)
(\$ in millions)

	Q1 2018	Q1 2017	% Growth @ Actual Rates	% Growth @ Constant Rates
Renal Care ¹	\$868	\$789	10%	4%
Medication Delivery ²	676	664	2%	0%
Pharmaceuticals ³	496	427	16%	13%
Nutrition ⁴	223	212	5%	0%
Advanced Surgery ⁵	182	168	8%	4%
Acute Therapies ⁶	129	106	22%	14%
Other ⁷	103	109	(6%)	(12%)
Total Baxter	\$2,677	\$2,475	8%	4%

¹ Includes sales of the company's peritoneal dialysis (PD) and hemodialysis (HD) and additional dialysis therapies and services.

² Includes sales of the company's IV therapies, infusion pumps, administration sets and drug reconstitution devices.

³ Includes sales of the company's premixed and oncology drug platforms, inhaled anesthesia and critical care products and pharmacy compounding services.

⁴ Includes sales of the company's parenteral nutrition (PN) therapies.

⁵ Includes sales of the company's biological products and medical devices used in surgical procedures for hemostasis, tissue sealing and adhesion prevention.

⁶ Includes sales of the company's continuous renal replacement therapies (CRRT) and other organ support therapies focused in the ICU.

⁷ Includes sales primarily from the company's pharmaceutical partnering business.

BAXTER INTERNATIONAL INC.
GBU Sales by U.S. and International
Periods Ending March 31, 2018 and 2017
(unaudited)
(\$ in millions)

	Q1 2018			Q1 2017			% Growth		
	U.S.	International	Total	U.S.	International	Total	U.S.	International	Total
Renal Care	\$196	\$672	\$868	\$179	\$610	\$789	9%	10%	10%
Medication Delivery	436	240	676	429	235	664	2%	2%	2%
Pharmaceuticals	243	253	496	213	214	427	14%	18%	16%
Nutrition	83	140	223	88	124	212	(6%)	13%	5%
Advanced Surgery	99	83	182	97	71	168	2%	17%	8%
Acute Therapies	46	83	129	37	69	106	24%	20%	22%
Other	44	59	103	60	49	109	(27%)	20%	(6%)
Total Baxter	\$1,147	\$1,530	\$2,677	\$1,103	\$1,372	\$2,475	4%	12%	8%

BAXTER INTERNATIONAL INC.
Free Cash Flow Reconciliation
 (unaudited)
 (\$ in millions)

	Three Months Ended	
	March 31,	
	2018	2017
Cash flows from operations - continuing operations	\$447	\$206
Capital expenditures	(155)	(123)
Free cash flow - continuing operations	\$292	\$83

BAXTER INTERNATIONAL INC.
Reconciliation of Non-GAAP Financial Measure
Change in Net Sales As Reported to Operational Sales
From The Three Months Ended March 31, 2017 to The Three Months Ended March 31, 2018
(unaudited)

	Q1 2018*					Operational Sales
	Net sales As Reported	US Cyclophosphamide	Claris	FX		
Renal Care	10%	0%	0%	(6%)	4%	
Medication Delivery	2%	0%	0%	(2%)	0%	
Pharmaceuticals	16%	2%	(9%)	(3%)	6%	
Nutrition	5%	0%	0%	(5%)	0%	
Advanced Surgery	8%	0%	0%	(4%)	4%	
Acute Therapies	22%	0%	0%	(8%)	14%	
Other	(6%)	0%	0%	(6%)	(12%)	
Total Baxter	8%	0%	(1%)	(4%)	3%	

*Totals may not foot due to rounding

BAXTER INTERNATIONAL INC.
Reconciliation of Non-GAAP Financial Measures
Projected 2018 Adjusted Earnings Per Share and Projected GAAP Earnings Per Share, and
Projected 2018 Adjusted Sales Growth and Projected GAAP Sales Growth
(unaudited)

2018 Earnings Per Share Guidance	Q2 2018	FY 2018
Earnings per Diluted Share – Adjusted	\$0.69 - \$0.71	\$2.85 - \$2.93
Estimated intangible asset amortization	\$0.06	\$0.24
Estimated business optimization charges	\$0.04	\$0.18 - \$0.23
Litigation costs	-	\$0.01
Acquisition and integration expenses	-	\$0.03
Clarix settlement	-	(\$0.14)
U.S. tax reform	-	(\$0.01)
Earnings per Diluted Share - GAAP	\$0.59 - \$0.61	\$2.49 - \$2.62

2018 Sales Growth Guidance	Q2 2018	FY 2018
Sales Growth – Operational	3% - 4%	4% - 5%
U.S. cyclophosphamide	0%	(1)%
Acquisitions	2%	1%
Foreign exchange	4%	2% - 3%
Sales Growth - GAAP	9%	7% - 8%