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BAXTER REPORTS SECOND-QUARTER 2019 RESULTS

- Anticipates \$500 million investment to support Advancing American Kidney Health Initiative -

- *Second quarter revenue of \$2.8 billion was comparable year over year on a reported basis; increased 4% on an operational basis*
- *Second quarter GAAP earnings per share (EPS) of \$0.66 increased 5%; Adjusted EPS of \$0.89 increased 16%*
- *Baxter expects full-year 2019 GAAP EPS of \$2.81 to \$2.89; Adjusted EPS of \$3.34 to \$3.40¹*
- *Company is committed to help drive home dialysis adoption in line with U.S. Department of Health and Human Services (HHS) goals and anticipates significant investment to support implementation*

DEERFIELD, Ill., July 25, 2019 – Baxter International Inc. (NYSE:BAX), a leading global medical products company, today reported earnings for the second quarter of 2019 and updated its full-year 2019 earnings outlook.

“Our momentum in the second quarter reflects the ongoing impact of Baxter innovation coupled with our emphasis on operational excellence to deliver on our commitments and potential,” said José (Joe) E. Almeida, chairman and chief executive officer. “We are well positioned to capture new growth opportunities as they emerge to further accelerate performance and drive increased value for patients, healthcare providers and investors.”

Second-Quarter Financial Results

Worldwide sales in the second quarter totaled approximately \$2.8 billion, which was comparable to second quarter 2018 performance on a reported basis, and increased 4% on both a



constant currency and operational basis. Operational sales in the second quarter exclude the impact of foreign exchange and generic competition for U.S. cyclophosphamide.

Sales in the U.S. totaled \$1.2 billion, decreasing 1% on both a reported and operational basis. International sales of \$1.6 billion increased 1% on a reported basis and 8% on a constant currency basis. On a regional basis, sales in the Americas were flat on a reported basis and increased 1% on a constant currency basis; sales in Europe, Middle East and Africa (EMEA) decreased 2% as reported and advanced 6% on a constant currency basis; and in Asia Pacific (APAC), reported sales and constant currency sales increased 3% and 9%, respectively.

Key growth drivers in the second quarter included Baxter's peritoneal dialysis (PD) and continuous renal replacement therapies (CRRT), intravenous (IV) infusion systems, hemostats and sealants, and certain generic pharmaceuticals. In addition, increased demand for Baxter's hospital pharmacy compounding contributed to growth in the quarter. Sales growth was partially offset by expected lower U.S. sales of **Brevibloc** and cyclophosphamide as well as in-center hemodialysis (ICHHD) products due to increased competition and the exit of the bloodline business, respectively.

Please see the attached schedules accompanying this press release for additional details on sales performance in the quarter, including breakouts by Baxter's three geographic segments and six global business units.

Baxter reported net income of \$343 million, or \$0.66 per diluted share, on a GAAP (Generally Accepted Accounting Principles) basis for the second quarter. These results include special items totaling \$121 million after tax, which were primarily related to intangible asset amortization, an intangible asset impairment and business optimization initiatives. On an adjusted basis, Baxter's second quarter net income totaled \$464 million, or \$0.89 per diluted share. Earnings growth in the quarter was driven by solid operational performance and the benefit from a lower tax rate and share count as compared to the prior year period.

Advancing American Kidney Health Initiative

On July 10, the White House announced the Advancing American Kidney Health Initiative. This groundbreaking proposal is focused on improving outcomes, lowering health system costs and offering quality-of-life benefits for patients with chronic kidney disease (CKD). CKD impacts the lives of more than 30 million Americans; of those, more than 700,000 have end stage renal disease

(ESRD), or kidney failure, and require dialysis treatment or an organ transplant to survive. As proposed, the Initiative aims to increase the number of new ESRD patients who receive home dialysis and organ transplants to 80% in 2025.² [Baxter is committed to helping drive U.S. home dialysis adoption](#) in line with these goals.

Depending on the Initiative’s final form, Baxter plans to scale investments in the U.S. to align with the proposed models from the Centers for Medicare and Medicaid Services (CMS), and patient and market dynamics across the adoption curve. The investments are currently anticipated at \$500 million in potential new U.S. facilities, as well as in existing sites that make and distribute PD solutions, devices and cassettes, and are expected to create hundreds of high-quality manufacturing, supply chain and engineering jobs for Americans. The company anticipates that these investments will help accelerate Renal Care growth and contribute positively to Baxter’s previous financial commitments.

“We stand ready to help the Administration and healthcare providers improve care for Americans who battle end stage renal disease,” said Almeida. “As the leading innovator and provider of home PD therapy in the U.S. and worldwide, we are excited to expand U.S. patient access to the many benefits of PD and look forward to mobilizing in support of the Initiative as its final parameters take shape in the months ahead.”

Business Highlights³

Baxter continues to achieve key milestones in pursuit of its Mission for patients and emphasis on accelerating profitable growth. Among recent highlights, the company:

- Announced U.S. Food and Drug Administration (FDA) approval of [Myxredlin \(Insulin Human in 0.9% Sodium Chloride Injection\)](#), the first and only ready-to-use insulin for IV infusion in the hospital and other acute care settings. Utilizing Baxter’s proprietary **Galaxy** container technology, **Myxredlin** offers an extended shelf life and delivers a consistent, stable concentration with every administration, which is a key consideration for patient safety.

- Launched the [Sharesource 2.0 clinical portal](#), giving healthcare providers greater insights to their patients' home PD treatments while offering improved clinic workflow. **Sharesource** is the most widely adopted telehealth platform globally; it has helped manage more than 7 million PD treatments in more than 40 countries, and there is growing evidence that the remote patient management technology assists healthcare providers with early detection of catheter issues, peritonitis, and adherence-related complications, which can lead to reduced hospitalizations.
- Announced [new research on the Oxiris filter](#), which can be used simultaneously in CRRT and in the removal of cytokines and endotoxin to aid in the management of acute kidney injury (AKI) patients with sepsis. The research was published in a supplemental issue of the peer-reviewed journal *Blood Purification* and highlighted at the 37th Vicenza Course on AKI and CRRT held in Vicenza, Italy, in May.
- Showcased [19 data presentations](#) across the renal care continuum at the 56th ERA-EDTA Congress, held in June in Budapest, Hungary. Among these were five independent studies on HDx (expanded hemodialysis) using the **Theranova** dialyzer that further advance growing evidence for the therapy. By extending the range of molecules that can be filtered from the blood, HDx results in a clearance profile that more closely mimics the natural kidney.

Many recent highlights also reflect Baxter's ongoing commitment to corporate social responsibility and workplace excellence. Among them, Baxter:

- Was named a [2019 Best Company for Multicultural Women](#) by *Working Mother* magazine, and named to *Forbes* magazine's 2019 list of America's Best Employers for Women.
- Issued its [annual Corporate Responsibility Report](#), outlining the company's progress on key initiatives to drive more sustainable operations, enhance product quality, foster a strong work environment and improve access to healthcare.

2019 Financial Outlook

For full-year 2019: The company now expects sales growth of 1% to 2% on a reported basis, and approximately 4% on both a constant currency and operational basis. Baxter expects GAAP earnings from continuing operations of \$2.81 to \$2.89 per share and adjusted earnings from continuing operations, before special items, of \$3.34 to \$3.40 per diluted share.

For third-quarter 2019: The company expects sales growth of 3% to 4% on a reported basis, and to grow approximately 5% on both a constant currency and operational basis. Baxter expects GAAP earnings from continuing operations of \$0.75 to \$0.78 per share and adjusted earnings from continuing operations, before special items, of \$0.82 to \$0.84 per diluted share.

Full-year and quarterly operational sales estimates for 2019 have been adjusted for the impact of foreign exchange and generic competition for U.S. cyclophosphamide.

A webcast of Baxter's second-quarter 2019 conference call for investors can be accessed live from a link on the company's website at www.baxter.com beginning at 7:30 a.m. CDT on July 25, 2019. Please see www.baxter.com for more information regarding this and future investor events and webcasts.

About Baxter

Every day, millions of patients and caregivers rely on Baxter's leading portfolio of critical care, nutrition, renal, hospital and surgical products. For more than 85 years, we've been operating at the critical intersection where innovations that save and sustain lives meet the healthcare providers that make it happen. With products, technologies and therapies available in more than 100 countries, Baxter's employees worldwide are now building upon the company's rich heritage of medical breakthroughs to advance the next generation of transformative healthcare innovations. To learn more, visit www.baxter.com and follow us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

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 the third quarter and full year 2019. 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; product development risks; product quality or patient safety concerns; continuity, availability and pricing of acceptable raw materials and component supply; inability to create additional production capacity in

a timely manner or the occurrence of other manufacturing or supply difficulties (including as a result of a natural disaster or otherwise); breaches or failures of the company's information technology systems or products, including by cyberattack, unauthorized access or theft; future actions of regulatory bodies and other governmental authorities, including FDA, the Department of Justice, the New York Attorney General and foreign regulatory agencies; proposed regulatory changes of the U.S. Department of Health and Human Services in kidney health policy (AAKHI) and reimbursement, which may substantially change the U.S. ESRD market and demand for our peritoneal dialysis products, necessitating significant multi-year capital expenditures which are difficult to estimate in advance; failures with respect to compliance programs; accurate identification of and execution on business development and R&D opportunities and realization of anticipated benefits (including the acquisitions of Claris Injectables and two surgical products from Mallinckrodt plc); 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; the ability to enforce owned or in-licensed patents or the patents of third parties preventing or restricting the manufacture, sale or use of affected products or technology; the impact of global economic conditions (including potential trade wars); fluctuations in foreign exchange and interest rates; any change in law concerning the taxation of income (including current or future tax reform), including income earned outside the United States and potential taxes associated with the Base Erosion and Anti-Abuse Tax; actions taken by tax authorities in connection with ongoing tax audits; 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.

Baxter, Brevibloc, Myxredlin, Oxiris, Sharesource and Theranova are registered trademarks of Baxter International Inc.

¹ See tables to this press release for reconciliations of non-GAAP measures used in this press release to the closest GAAP measures. The company's outlook for GAAP earnings per share from continuing operations only includes the impact of special items that are known or expected as of the date of this release. Accordingly, actual GAAP earnings per share from continuing operations for the third quarter and full year 2019 may differ significantly from those amounts. For example, the company's outlook does not reflect the potential impact of future business or asset acquisitions or dispositions, intangible asset impairments, restructuring actions, developments related to gain or loss contingencies, or unusual or infrequently occurring items that may occur during the remainder of 2019.

² See U.S. Department of Health and Human Services press release issued 7/10/19 at <https://www.hhs.gov/about/news/2019/07/10/hhs-launches-president-trump-advancing-american-kidney-health-initiative.html?amp>.

³ See links to original press releases for additional product information.

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