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BAXTER REPORTS FOURTH-QUARTER AND FULL-YEAR 2020 RESULTS

- *Fourth-quarter sales of \$3.2 billion increased 5% on a reported basis, 3% on a constant currency basis and 2% on an operational basis¹*
- *Fourth-quarter U.S. GAAP earnings per share (EPS) were \$0.33 and adjusted EPS were \$0.80*
- *Full-year revenue of \$11.7 billion increased 3% on both a reported and constant currency basis and 2% on an operational basis*
- *Full-year U.S. GAAP EPS were \$2.13 and adjusted EPS were \$3.09*

DEERFIELD, Ill., FEB. 4, 2021 – Baxter International Inc. (NYSE:BAX), a leading global medical products company, today reported results for the fourth quarter and full year ended December 31, 2020, and provided its financial guidance for 2021.

“Amid an unprecedented global public health crisis, Baxter remains focused on advancing our Mission for patients and driving value for all stakeholders,” said José (Joe) E. Almeida, chairman, president and chief executive officer. “Our 2020 performance demonstrates the underlying strength of our portfolio, as well as our heightened agility and resilience fueled by our ongoing transformation. As we enter 2021, we remain focused on our strategy to accelerate sales through enhanced commercial execution and innovation as well as driving margin expansion this year and beyond.”

Fourth-Quarter Financial Results

Worldwide sales in the fourth quarter totaled \$3.2 billion, an increase of 5% on a reported basis, 3% on a constant currency basis and 2% on an operational basis. Operational sales in the

¹ See tables to the press release for reconciliations of non-GAAP measures used in this press release to the corresponding U.S. GAAP measures.



fourth quarter exclude the impact of foreign exchange and the company's February 2020 acquisition of **Seprafilm**.

Sales in the U.S. totaled \$1.3 billion, remaining flat on a reported basis and declining 1% on an operational basis. International sales of \$1.9 billion grew 8% on a reported basis, 5% on a constant currency basis and 4% on an operational basis.

Growth among Baxter's global business units (GBUs) at both reported and constant currency rates was led by Acute Therapies, which continues to experience increased product demand due to the COVID-19 pandemic. Sales in Baxter's Renal Care and Clinical Nutrition GBUs increased on both a reported and constant currency basis. Also contributing to growth in the quarter was increased sales in Advanced Surgery, which benefitted from the acquisition of **Seprafilm**. Performance in these GBUs helped offset sales declines in Medication Delivery and Pharmaceuticals on both a reported and constant currency basis, which continue to be impacted by lower rates of hospital admissions in the wake of the ongoing pandemic. During the quarter, the company estimates that, in the U.S., hospital admissions declined low double digits and surgical procedures were flat as compared to pre-COVID levels.

By geographic segment, strong performance in APAC and EMEA helped offset headwinds in the Americas, which declined 1% on both a reported and operational basis and was flat on a constant currency basis.

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

For the fourth quarter, net income attributable to Baxter was \$168 million, or \$0.33 per diluted share, an increase of \$0.38 per share on a U.S. GAAP (Generally Accepted Accounting Principles) basis. These results include special items totaling \$244 million after-tax, which were primarily related to a loss on the extinguishment of debt, intangible asset amortization, business optimization expenses and a noncash pension settlement charge, among other factors. On an adjusted basis, net income attributable to Baxter totaled \$412 million in the fourth quarter, or \$0.80 per diluted share, a decrease of 18% compared to the prior-year period.



Full-Year Financial Results

Baxter's 2020 worldwide sales totaled \$11.7 billion, an increase of 3% on both a reported and constant currency basis and 2% on an operational basis. Operational sales for 2020 exclude the impact of foreign exchange and the company's February 2020 acquisition of **Seprafilm**.

Sales in the U.S. totaled \$4.9 billion, growing at 1% on a reported basis and remaining flat on an operational basis. International sales of \$6.8 billion grew 4% on both a reported and operational basis and 5% on a constant currency basis.

The accompanying schedules include additional details on sales performance by GBU and geographic segment.

On a U.S. GAAP basis, 2020 net income attributable to Baxter totaled \$1.1 billion, or \$2.13 per diluted share, increasing 10% compared to the previous year. These results include special items totaling \$495 million after-tax, which were primarily related to intangible asset amortization, a loss on the extinguishment of debt and business optimization expenses, among other factors. On an adjusted basis, 2020 net income attributable to Baxter totaled \$1.6 billion, or \$3.09 per diluted share, a decrease of 7% compared to the prior-year period. These results compared favorably to the company's previously issued guidance, driven by solid sales performance during the fourth quarter.

For the full year, Baxter generated \$1.9 billion in operating cash flow from continuing operations and \$1.2 billion in free cash flow (operating cash flow from continuing operations less capital expenditures of \$709 million). During the fourth quarter, the company repurchased \$500 million worth of common stock or 6 million shares.

"Even as we rise to the challenges of the COVID-19 pandemic, Baxter is committed to returning value to shareholders while strategically pursuing investment in a range of organic and inorganic growth opportunities," said Jay Saccaro, chief financial officer. "In 2020, we returned approximately \$1 billion to shareholders through dividends and share repurchases, and we deployed approximately \$500 million to inorganic investments to fuel future growth."

Business Highlights²

Baxter continues to achieve notable strategic milestones in pursuit of its Mission to Save and Sustain Lives. Among the highlights of 2020 and early 2021, the company:

- Increased manufacturing capacity and production levels to help address surging demand for a range of Baxter products associated with COVID-19 patient care.
- Completed agreements for Baxter's BioPharma Solutions (BPS) business unit to provide sterile manufacturing services for COVID-19 vaccines.
- Prepared to support the new [End-Stage Renal Disease \(ESRD\) Treatment Choices \(ETC\) payment model](#), finalized by the Centers for Medicare and Medicaid Services (CMS) in late 2020, as a core component of the Advancing American Kidney Health Initiative (AAKHI). The ETC payment model encourages access to and adoption of home dialysis.
- Announced U.S. Food and Drug Administration (FDA) clearance of the [Homechoice Claria automated peritoneal dialysis \(APD\) system](#) with its **Sharesource** connectivity platform for both adult and pediatric populations. **Homechoice Claria** combines a simple user interface with the benefits of **Sharesource**, the only two-way remote patient management platform for patients on peritoneal dialysis in the U.S.
- Announced FDA [De Novo authorization for Theranova](#), a novel dialysis membrane designed to deliver expanded hemodialysis (HDx) therapy, which filters a wider range of molecules from the blood than traditional hemodialysis (HD) filters. By granting a De Novo authorization, the FDA is establishing a new class of dialyzer technology with an expanded solute removal profile.
- Received CE marking in Europe and [Health Canada approval](#) for the leading edge **Novum IQ** Infusion platform. The platform includes both large volume and syringe infusion pumps, and features Baxter's **Dose IQ** Safety Software and **IQ Enterprise** Connectivity Suite, intuitive

² See links to original press releases for additional product information.

digital health technologies developed to protect patients, manage devices and provide advanced insights.

- Acquired **toSense**, a California-based technology company focused on developing sensors and software for broad applications in non-invasive patient monitoring. **toSense** brings technology and expertise that is expected to be instrumental in Baxter's development and launch of leading edge monitoring innovations.
- Announced [results of the Fluid Response Evaluation in Sepsis Hypotension and Shock \(FRESH\) study](#) using the **Starling** Fluid Management Monitoring System, published in the CHEST medical journal, the official publication of the American College of Chest Physicians. Performed at 13 hospitals across the United States and United Kingdom, the FRESH study demonstrated lower net fluid balance, reduced mechanical ventilation, and reduced kidney injury in septic shock patients when a non-invasive dynamic assessment was used to guide intravenous (IV) fluid and vasopressor administration.
- Was granted FDA [approval of new formulations](#) of **Clinimix** (amino acids in dextrose) Injections and **Clinimix E** (amino acids with electrolytes in dextrose and calcium) Injections. These new formulations contain the highest protein in any multi-chamber bag available in the U.S., allowing clinicians more flexibility in meeting their patients' nutritional goals.
- Completed the acquisition of [Seprafilm Adhesion Barrier](#) and related assets from Sanofi. The product is a strong complement to Baxter's leading surgical hemostat and sealant portfolio; and there are opportunities to reach more potential users based on the breadth of Baxter's commercial footprint in Advanced Surgery.
- Received FDA Emergency Use Authorizations (EUAs) for Baxter's [Oxiris filter set](#), [Regiocit replacement solution](#), [HF20 Set](#) and [ST Set](#). The EUAs provide clinicians with new options to help care for critically ill patients amid rising demand for continuous renal replacement therapy (CRRT) due to the COVID-19 pandemic. These EUA products are authorized by FDA for use for no longer than the duration of the COVID-19 public health emergency and have neither been cleared or approved by FDA to treat patients with COVID-19 infection.

- Announced a distribution agreement with bioMérieux, a global leader in *in vitro* diagnostics, for the [NEPHROCLEAR™ CCL14 diagnostic test](#). The test is currently in development for use in assessing the risk of developing persistent severe acute kidney injury (AKI).

Corporate Responsibility

Baxter is fully committed to promoting the power of diversity in support of its Mission to Save and Sustain Lives. Last year, in the wake of horrific violence against the Black community in the U.S., the company launched [ACT \(Activating Change Today\)](#), a multidimensional initiative to advance racial justice. ACT represents a collaboration among Baxter’s senior leadership, the Baxter Black Alliance business resource group and colleagues from across the company. The program is focused on driving results across four key areas – Workforce, Workplace, Community and Marketplace – encompassing employees, external stakeholders, and the markets and communities Baxter serves.

Also in 2020, Baxter published its first [Sustainability Accounting Standards Board \(SASB\) index](#), a voluntary public disclosure that provides transparent and relevant corporate responsibility information to investors and other key stakeholders. Baxter’s first index aligns with SASB’s Medical Equipment and Supplies Sustainability Accounting Standard and provides information on five topics: Affordability and Pricing, Product Safety, Ethical Marketing, Product Design and Lifecycle Management, and Supply Chain Management. Moving forward, Baxter expects to include a SASB index in the company’s annual [Corporate Responsibility Report](#).

Baxter continues to be recognized for its commitment to corporate responsibility and workplace excellence. Over the course of 2020 and early 2021, the company:

- Was named to the Dow Jones Sustainability Indices – DJSI World and DJSI North America; Baxter has appeared each year since the indices launched, in 1999 and 2005, respectively.
- Scored 100% on the 2021 Human Rights Campaign Corporate Equality Index, marking the sixth consecutive year the company has scored 100%.
- Ranked number 30 on *Newsweek*’s 2021 list of America’s 400 Most Responsible Companies.
- Ranked number 40 of 928 companies by *Forbes* and JUST Capital on the 2021 Just 100 list of America’s “Most Just” companies.

- Was named to 3BL Media's list of 100 Best Corporate Citizens for 2020.
- Ranked among the top 10% on the 2020 Diversity Best Practices Inclusion Index.
- Ranked in the top 10% on Disability:IN's 2020 Disability Equality Index, designating Baxter as a Best Place to Work for Disability Inclusion.
- Was recognized among the Top 75 Companies for Executive Women by Working Mother Media.
- Was named to *Working Mother* magazine's 2020 lists of the 100 Best Companies and the Best Companies for Dads.
- Was recognized by Forbes as one of the Best Employers for Women 2020.

2021 Financial Outlook

For full-year 2021: Baxter expects sales growth of 7% to 8% on a reported basis and 4% to 5% on a constant currency basis. The company expects U.S. GAAP earnings of \$2.91 to \$2.99 per diluted share and adjusted earnings, before special items, of \$3.35 to \$3.43 per diluted share.

For first-quarter 2021: The company expects sales growth of approximately 3% on a reported basis and sales to decline low single digits on a constant currency basis. The company expects U.S. GAAP earnings of \$0.53 to \$0.55 per diluted share and adjusted earnings, before special items, of \$0.63 to \$0.65 per diluted share.

A webcast of Baxter's fourth-quarter 2020 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. CST on February 4, 2021. 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](#).

Non-GAAP Financial Measures

This press release and the accompanying tables contain financial measures that are not calculated in accordance with U.S. GAAP. The non-GAAP financial measures include adjusted gross margin, adjusted selling, general and administrative expense, adjusted research and development expense, adjusted other operating income, net, adjusted operating income, adjusted operating margin, adjusted other expense, net, adjusted income before income taxes, adjusted income tax expense, adjusted net income, adjusted net income attributable to Baxter stockholders, and adjusted diluted earnings per share, all of which exclude special items, sales growth on a constant currency and operational basis, and free cash flow. Special items are excluded because they are highly variable or unusual, and of a size that may substantially affect the company's reported operations for a period. Certain of those items represent estimates based on information reasonably available at the time of this press release. Future events or new information may result in different actual results.

Net sales growth rates are presented on a constant currency basis. These measures provide information on the percentage change in net sales growth assuming that foreign currency exchange rates have not changed between the prior and current periods. Net sales growth rates are also presented on an operational basis. For the quarter and year-to-date periods ended December 31, 2020, operational sales growth excludes the impact of foreign exchange and the company's acquisition of **Seprafilm** in February 2020. This measure provides information on the change in net sales growth rates assuming that foreign exchange rates remain constant and excluding the impact of the company's acquisition of **Seprafilm**.

For the quarter and year-to-date periods ended December 31, 2020, special items include intangible asset amortization, business optimization charges, acquisition and integration expenses, expenses related to European medical devices regulation, investigation and related costs, pension settlement charges, a loss on the extinguishment of debt and **Sigma Spectrum** infusion pump inspection and remediation charges. Additionally, special items for the year-to-date period ended December 31, 2020 include an intangible asset impairment charge. These items are excluded because they are highly variable or unusual and of a size that may substantially impact the company's reported operations for a period. Additionally, intangible asset amortization is excluded as a special item to facilitate an evaluation of current and past operating performance and is consistent with how management and the company's Board of Directors assess performance.

Non-GAAP financial measures may enhance an understanding of the company's operations and may facilitate an analysis of those operations, particularly in evaluating performance from one period to another. Management believes that non-GAAP financial measures, when used in conjunction with the results presented in accordance with U.S. GAAP and the reconciliations to corresponding U.S. GAAP financial measures, may enhance an investor's overall understanding of the company's past financial performance and prospects for the future. Accordingly, management and the company's Board of Directors use these non-GAAP measures internally in financial planning, to monitor business unit performance, and, in some cases, for purposes of determining incentive compensation. This information should be considered in addition to, and not as substitutes for, information prepared in accordance with U.S. GAAP.

Forward-Looking Statements

*This release includes forward-looking statements concerning the company's financial results and business development activities and outlook for first-quarter and full-year 2021. These forward-looking 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: the effects of the COVID-19 pandemic on our business and the businesses of our customers; demand for and market acceptance of risks for new and existing products (including the impact of reduced hospital admission rates and elective surgery volumes); product development risks (including any delays in required regulatory approvals); product quality or patient safety concerns; the impact of competitive products and pricing, including generic competition, drug reimportation and disruptive technologies; accurate identification of and execution on business development and R&D opportunities and realization of anticipated benefits (including the acquisitions of **Cheetah Medical** and **Seprafilm Adhesion Barrier**); loss of key employees or inability to identify and recruit new employees; continuity, availability and pricing of acceptable raw materials and component supply or the 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, public health crises and epidemics/pandemics, regulatory actions or otherwise); breaches or failures of the company's information technology systems or products, including by cyberattack, unauthorized access or theft; the impact of global economic conditions (including potential trade wars); future actions of regulatory bodies and other governmental authorities, including the FDA, the Department of Justice, the SEC, the New York Attorney General, the Environmental Protection Agency and foreign regulatory agencies, including the continued delay in lifting the warning letter at our Ahmedabad facility or proceedings related to the investigation related to foreign exchange gains and losses; increasing regulatory focus on privacy and security issues; failures with respect to compliance programs; U.S. healthcare reform and other global austerity measures; pricing, reimbursement, taxation and rebate policies of government agencies and private payers; proposed regulatory changes of the U.S. Department of Health and Human Services in kidney health policy and reimbursement, which may substantially change the U.S. end stage renal disease market and demand for our peritoneal dialysis products, necessitating significant multi-year capital expenditures, which are difficult to estimate in advance; the ability to enforce owned or in-licensed patents or the prevention or restriction of the manufacture, sale or use of products or technology affected by patents of third parties; global, trade and tax policies; any change in laws 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; the outcome of pending or future litigation, including the opioid litigation and litigation related to our internal investigation of foreign exchange gains and losses; current or worsening economic conditions; fluctuations in foreign exchange and interest rates; and other risks identified in Baxter's most recent filings on Forms 10-K and 10-Q and other SEC filings, all of which are available on Baxter's website. Baxter does not undertake to update its forward-looking statements unless otherwise required by the federal securities laws.*

Baxter, Cheetah Medical, Clinimix, Clinimix E, Dose IQ, Homechoice Claria, IQ Enterprise, Novum IQ, Oxiris, Regiocit, Preveleak, Recothrom, Seprafilm, Sharesource, Sigma Spectrum, Starling, Theranova



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