



FOR IMMEDIATE RELEASE

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**BAXTER REPORTS SECOND-QUARTER 2018 RESULTS AND INCREASES
EARNINGS OUTLOOK FOR FULL-YEAR 2018**

- *Second-quarter revenue of \$2.8 billion increased 9 percent on a reported basis and 4 percent on an operational basis*
- *Second-quarter GAAP earnings per share (EPS) of \$0.63; Adjusted EPS of \$0.77 increased 22 percent*
- *Company raises full-year 2018 GAAP EPS to \$2.48 to \$2.59; Adjusted EPS to \$2.94 to \$3.00*

DEERFIELD, Ill., JULY 26, 2018 – Baxter International Inc. (NYSE:BAX), a leading global medical products company, today reported results for the second quarter of 2018 and increased its full-year 2018 earnings guidance.

“Our solid second quarter performance supports the strategic priorities we laid out at our May investor conference to deliver sustainable long-term growth across our diversified portfolio,” said José (Joe) E. Almeida, chairman and chief executive officer. “We remain relentlessly focused on enhancing operational efficiency throughout the company, while also increasing investments in innovative therapies and products to benefit patients and healthcare providers and accelerate top-line growth.”

Second-quarter Financial Results

In the second quarter, worldwide sales totaled approximately \$2.8 billion, an increase of 9 percent on a reported basis, 5 percent on a constant currency basis and 4 percent on an operational basis compared to the prior-year period. Operational sales in the second quarter adjust for the impact of foreign exchange and generic competition for U.S. cyclophosphamide, as well as the acquisitions of Claris Injectables (Claris) and two surgical products from Mallinckrodt plc, which closed in July 2017 and March 2018, respectively.



Sales in the U.S. totaled \$1.2 billion, increasing 7 percent on a reported basis and 4 percent on an operational basis. International sales of \$1.6 billion increased 11 percent on a reported basis, 4 percent on a constant currency basis and 3 percent on an operational basis. Drivers of growth in the quarter included increased sales of injectable pharmaceuticals, strength in the company's renal care and acute therapies businesses as well as solid performance from its compounding and contract manufacturing businesses.

Beginning in 2018, Baxter reports its operating results based on three geographic segments: Americas (North and South America), EMEA (Europe, Middle East and Africa) and APAC (Asia Pacific) as well as by the company's six Global Business Units (GBUs). Please see the schedules accompanying this press release for more details on sales performance in the quarter.

Baxter reported income from continuing operations of \$343 million, or \$0.63 per diluted share, on a GAAP (Generally Accepted Accounting Principles) basis for the second quarter. These results included special items totaling \$103 million (\$78 million net after-tax), primarily related to business optimization, intangible amortization and integration expenses. On an adjusted basis, Baxter's second quarter income from continuing operations totaled \$421 million, or \$0.77 per diluted share. Adjusted earnings per diluted share advanced 22 percent in the quarter, driven by solid top-line performance and the ongoing benefit from the company's business transformation initiatives.

In the second quarter of 2018, Baxter generated \$405 million in operating cash flow, or \$852 million year to date. This represents a first half increase of \$85 million driven by improved operational performance. As a result, the company generated an increase of over \$50 million in free cash flow to \$541 million (operating cash flow less capital expenditures of \$311 million) as compared to the first half of 2017.

Also during the quarter, Baxter's Board of Directors approved an [approximately 19 percent increase in the company's quarterly dividend rate](#), reflecting Baxter's strong financial position and ongoing focus on strategically deploying capital to both fuel growth and enhance stockholder value.

Business Highlights

In support of its strategy to accelerate profitable growth and deliver meaningful innovation for patients and healthcare professionals around the world, Baxter achieved a number of recent operational, pipeline and commercial milestones:

- Hosted its [2018 Investor Conference](#), outlining the company's strategies to drive sustained growth, deliver attractive shareholder value and advance patient care globally. The company also increased its financial guidance for 2020 and provided its financial outlook for 2023.
- Expanded the company's medication delivery portfolio with two new innovative drug infusion pumps that help to meet the unique needs of markets around the world:
 - Received [U.S. Food and Drug Administration \(FDA\) clearance](#) and Health Canada approval of the **Spectrum IQ Infusion System** with **Dose IQ** Safety Software. The **Spectrum IQ** system is the first-of-its-kind designed specifically for bi-directional electronic medical records (EMR) integration with new exclusive features to help ensure the correct medications and fluids are delivered to the patient.
 - Secured CE Mark for the **Evo IQ Infusion System** in the United Kingdom and Ireland, representing the first in a series of planned regulatory submissions for the **Evo IQ** system internationally. The **Evo IQ Infusion System** includes advanced software to promote patient safety and delivers next-generation clinical workflows and clinician efficiency through a modular design that enables upgradable functionality to meet a wide range of clinical needs.
- Received two approvals from Health Canada for innovations to patient care:
 - [New indication for the company's oXiris set](#), which is used with Baxter's **Prismaflex** system and is now Canada's first blood purification set for simultaneous use in continuous renal replacement therapy and sepsis management protocols. **oXiris** previously received CE Mark and regulatory approval for the label expansion in more than 30 countries in Europe and certain countries in the Middle East and Africa, and Baxter plans to file for the expanded indication in additional countries.
 - **Olimel 7.6%** (globally referred to as **Olimel N12**), an olive-based, standardized solution with the highest protein and lowest glucose formulation available today. This

triple-chamber bag represents the latest generation in the company's industry-leading parenteral nutrition portfolio; the Canadian launch will be the first in a series of planned global launches.

- Announced key updates for the company's [Sharesource remote patient management system](#), which is embedded in Baxter's **Amia**, **Homechoice Claria** and **Kaguya** automated peritoneal dialysis (APD) platforms, for home dialysis patients. The enhancements support greater accessibility and efficiencies for healthcare providers in remotely viewing patient data.

2018 Financial Outlook

For full-year 2018: Based on the company's strong performance year to date, Baxter is raising its earnings outlook for the full year of 2018. The company now expects adjusted earnings from continuing operations, before special items, of \$2.94 to \$3.00 per diluted share for the full year. The company now expects sales growth of approximately 6 percent on a reported basis as a result of changes in foreign exchange rates. The company continues to expect sales growth of approximately 5 percent on a constant currency basis and 4 to 5 percent on an operational basis.*

For third-quarter 2018: The company expects sales growth of approximately 3 percent on a reported basis, approximately 3 to 4 percent on a constant currency basis and 3 to 4 percent on an operational basis.* The company expects adjusted earnings from continuing operations, before special items, of \$0.72 to \$0.74 per diluted share.

*Full-year and third-quarter operational sales have been adjusted for the impact of foreign exchange, generic competition for U.S. cyclophosphamide and the benefit from the acquisitions of Claris and the two Mallinckrodt surgical assets.

Please see the schedules accompanying this press release for a reconciliation between the projected 2018 adjusted earnings per diluted share and projected GAAP earnings per diluted share.

A webcast of Baxter's second-quarter 2018 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 26, 2018. 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 2018. 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, including by cyberattack; future actions of regulatory bodies and other governmental authorities, including FDA, the Department of Justice, the New York Attorney General and foreign regulatory agencies; 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 (including the acquisitions of Claris Injectables and two surgical products from Mallinckrodt plc); 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 (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.

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