



FOR IMMEDIATE RELEASE

Media Contact

Stacey Eisen, (224) 948-5353
media@baxter.com

Investor Contact

Clare Trachtman, (224) 948-3085

**BAXTER REPORTS THIRD-QUARTER 2018 RESULTS AND UPDATES FINANCIAL OUTLOOK
FOR FULL-YEAR 2018**

- *Third-quarter revenue of \$2.8 billion increased 2 percent on a reported basis and 3 percent on an operational basis*
- *Third-quarter GAAP earnings per share (EPS) of \$1.00; Adjusted EPS of \$0.80 increased 25 percent*
- *Company expects full-year 2018 sales growth of approximately 5 percent on a reported basis and approximately 3 percent on an operational basis*
- *Company expects full-year 2018 GAAP EPS of \$2.90 to \$2.94; Adjusted EPS of \$2.98 to \$3.00*

DEERFIELD, III., OCTOBER 31, 2018 – Baxter International Inc. (NYSE:BAX), a leading global medical products company, today reported results for the third quarter of 2018 and updated its full-year 2018 financial outlook.

“Baxter’s third-quarter performance reflects the benefit of our ongoing efforts to enhance operational excellence and innovation at the company,” said José (Joe) E. Almeida, chairman and chief executive officer. “While we remain confident in Baxter’s longer-term financial outlook, we have experienced a slower-than-expected return to pre-Hurricane Maria purchasing levels across certain businesses, as well as an impact from distributor destocking for select products that has depressed our top-line performance in 2018.”

Continued Almeida, “Our commercial teams are working diligently to address customer needs and recapture these sales, and we remain focused on relentless expense management across the company. In parallel, we continue to pursue capital deployment opportunities to fuel organic and



inorganic growth that will help drive increased value for patients, healthcare providers and investors.”

Third-quarter Financial Results

In the third quarter, worldwide sales totaled approximately \$2.8 billion, an increase of 2 percent on a reported basis, 3 percent on a constant currency basis and 3 percent on an operational basis compared to the prior-year period. Operational sales in the third quarter adjust for the impact of foreign exchange and generic competition for U.S. cyclophosphamide, as well as the acquisition of two surgical products from Mallinckrodt plc, which closed in March 2018, and approximately one month of sales from the company’s acquisition of Claris Injectables, which closed in July 2017.

Sales in the U.S. totaled \$1.2 billion, increasing 4 percent on a reported basis and 3 percent on an operational basis. International sales of \$1.6 billion increased 1 percent on a reported basis and 2 percent on both a constant currency and operational basis. Drivers of growth in the quarter included the company’s Renal Care, Pharmaceuticals, Advanced Surgery and Acute Therapies businesses. Increased demand for Baxter’s contract manufacturing services also contributed to performance in the quarter. This strength helped offset declines in Baxter’s Medication Delivery and Clinical Nutrition businesses. Performance in these businesses was impacted by market disruptions caused by Hurricane Maria, which have resulted in longer-than-expected shifts in customer demand patterns as well as the impact of distributor destocking for select products.

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 \$544 million, or \$1.00 per diluted share, on a GAAP (Generally Accepted Accounting Principles) basis for the third quarter. These results included special items totaling \$108 million, primarily related to business optimization and intangible amortization and a \$200 million benefit related to the company’s U.S. foreign tax credit deferred tax assets. On an adjusted basis, Baxter’s third quarter income from continuing operations totaled \$436 million, or \$0.80 per diluted share. Adjusted earnings per diluted share advanced 25 percent in the quarter, driven by solid operational performance, an ongoing benefit from the company’s business transformation initiatives, and lower pension expenses.

In the third quarter of 2018, Baxter generated \$489 million in operating cash flow, or \$1,341 million year to date. As a result, the company generated \$873 million in free cash flow (operating cash flow less capital expenditures of \$468 million) through the first nine months of the year.

Business Highlights

Baxter continues to achieve key operational, pipeline and commercial milestones in support of its strategy to accelerate profitable growth and advance innovation for patients and healthcare professionals worldwide. Among recent highlights, the company:

- Received CE Mark and submitted a 510(k) to U.S. Food and Drug Administration (FDA) for the [PrisMax system](#), Baxter's next-generation technology for continuous renal replacement and organ support therapies. The **PrisMax** system's innovative features were designed with input from more than 650 healthcare practitioners globally to make delivering therapy simpler, more efficient and more accurate in the ICU.
- Received FDA clearance for innovations that expand the breadth and potential impact of Baxter's Advanced Surgery portfolio:
 - Clearance of [Actifuse Flow Bone Graft Substitute](#) for use in a variety of orthopedic surgical procedures. **Actifuse Flow** offers accelerated bone growth in a new, easy-to-use prepackaged delivery syringe for precise placement into small bony voids or gaps in the skeletal system.
 - Clearance of [ALTAPORE Bioactive Bone Graft](#), a next-generation bioactive and osteoconductive bone graft substitute, for use as an autograft extender in posterolateral spinal fusion. **ALTAPORE** had previously been cleared for use in orthopedic surgical procedures in the extremities and pelvis.
- Featured [OLIMEL 7.6%](#), a newly launched addition to the company's olive oil-based parenteral nutrition portfolio, at the 40th congress of the European Society of Clinical Nutrition and Metabolism (ESPEN), recently held in Madrid. Now approved in Canada, **OLIMEL 7.6%** is a ready-to-use solution designed to meet the needs of high-stress patients by combining the highest protein with the lowest glucose formulation available in a standardized, triple-chamber bag.

- Announced a [collaboration with Mayo Clinic](#) to establish a renal care center of excellence to be located at Mayo Clinic's Jacksonville, Fla., campus. The center, which brings together the complementary expertise of Mayo Clinic and Baxter, will serve patients across the continuum of care, from chronic kidney disease (CKD) management through transplant, to drive better patient outcomes. This initiative stems from a broader five-year collaboration agreement, and allows for the exploration of potentially new, co-developed products and services.
- Received multiple external recognitions reflecting Baxter's ongoing commitment to corporate social responsibility and workplace excellence:
 - [Named](#) to the Dow Jones Sustainability World Index and the Dow Jones Sustainability North America Index for the 19th consecutive year.
 - [Cited](#) by Aon as a Best Employer in the Asia Pacific region.
 - [Recognized](#) on *Working Mother* magazine's 2018 list of '100 Best Companies.'

2018 Financial Outlook

For full-year 2018: Baxter expects adjusted earnings from continuing operations, before special items, of \$2.98 to \$3.00 per diluted share. The company expects sales growth of approximately 5 percent on a reported basis, approximately 4 percent on a constant currency basis, and approximately 3 percent on an operational basis (as defined below).

For fourth-quarter 2018: The company expects sales growth of approximately 1 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 \$0.71 to \$0.73 per diluted share.

Full-year and fourth-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 (full-year only) and the two Mallinckrodt surgical products.

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 third-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 October 31,



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 the fourth quarter and full year 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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