



Baxter

FINANCIAL OUTLOOK

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Chief Financial Officer

May 21, 2018

Safe Harbor Statement

This presentation includes forward-looking statements concerning Baxter's financial results, R&D pipeline, including planned product launches (many of which are subject to regulatory approval) and results of clinical trials, business development activities, capital structure, cost savings initiatives, Baxter's long range plan (which includes financial outlook for 2018, 2020 and 2023) and other growth strategies. 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 Baxter'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 recent 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; 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; 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 Baxter'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.

Delivering On Our Strategy



Building Momentum With Strong Operational Performance



Capitalizing On New Product Launches And Geographic Expansion¹

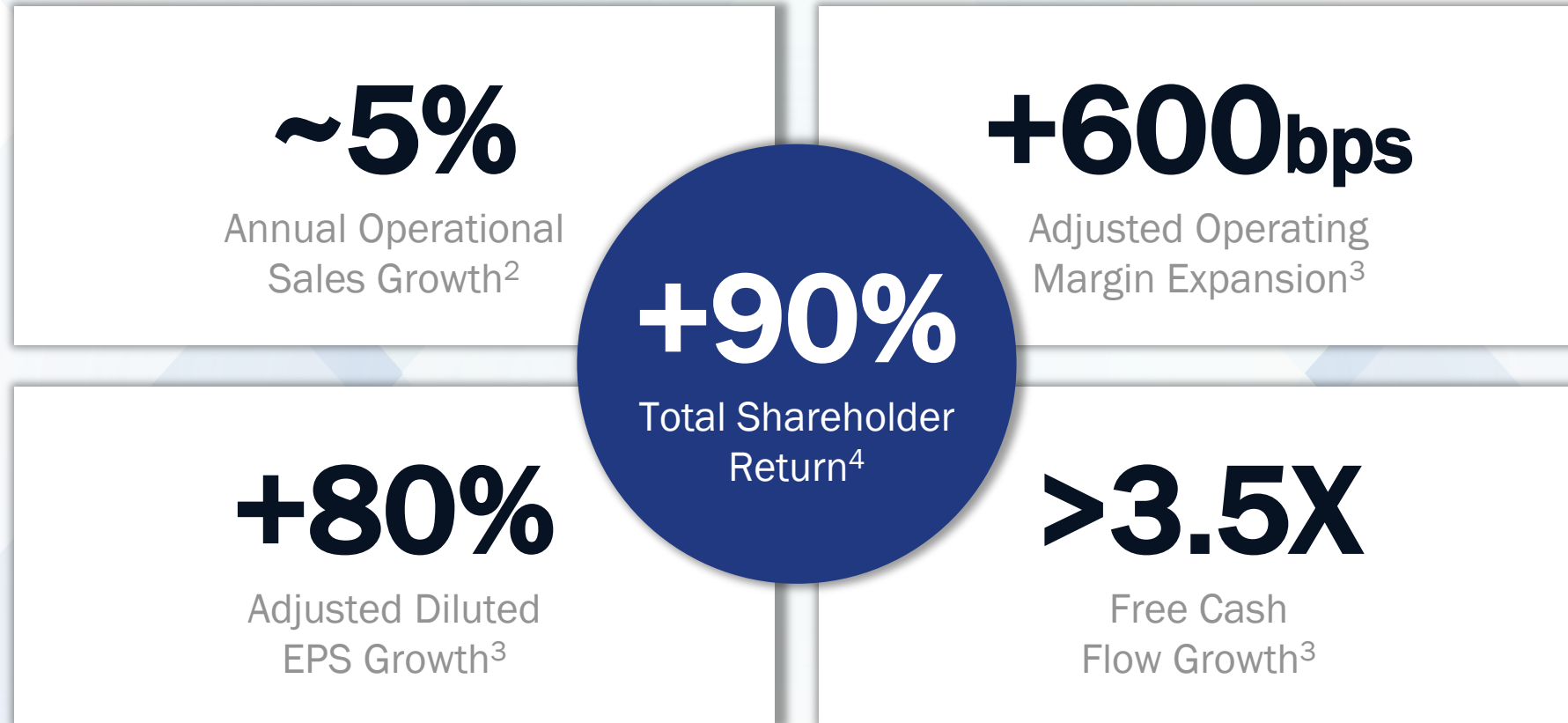


Executing Disciplined Focus On Business Transformation Initiatives



Significantly Enhancing Balance Sheet Flexibility To Deliver Value

2015 – 2017 Progress On Key Financial Metrics¹



Tremendous Progress On Key Financial Metrics Fueled Top-Quartile Results

Long Range Plan (LRP): Guidelines & Assumptions¹

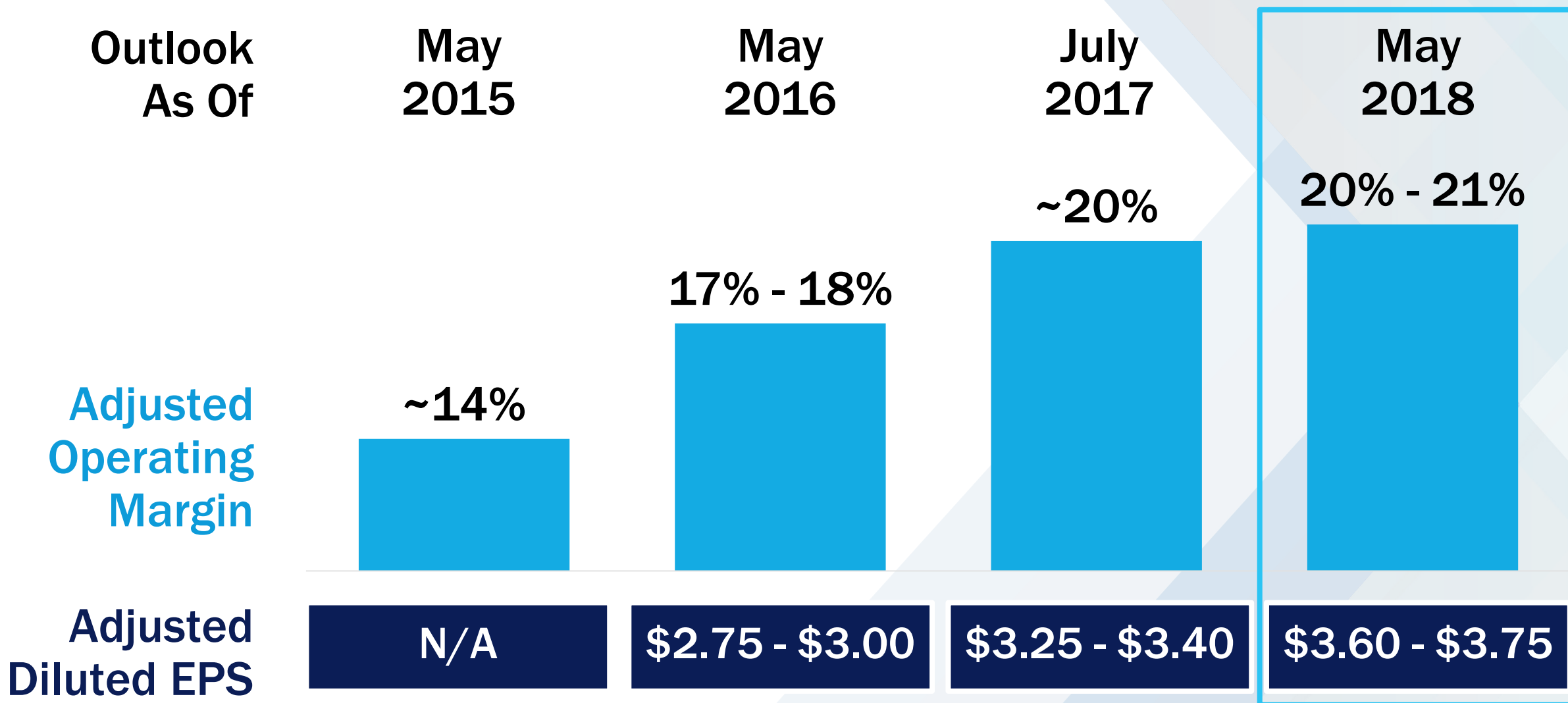
Outlook Assumes:

- ✓ Stable macro-environment
- ✓ Current foreign exchange rates
- ✓ Risk-adjusted revenues from new products
- ✓ Modest price increases for select products
- ✓ Competition for U.S. Cyclo and Brevibloc
- ✓ Share repurchases to offset option dilution
- ✓ Adjusted financial results, excluding special items

Outlook Does Not Assume:

- ✗ Any impact from currency fluctuations
- ✗ Prospective M&A initiatives
- ✗ Any incremental reduction in share count through stock buybacks
- ✗ Any material change in global regulatory or macro-environment

The Evolution Of Baxter's 2020 Outlook¹



Long-Range Outlook: Summary

	2018 Guidance	2020 Outlook	2023 Outlook	
Sales Growth <i>Constant Currency</i>	~5%	4% - 5% '18 - '20 CAGR	~5% '18-'23 CAGR	5% - 6% '20-'23 CAGR
Adjusted Operating Margin	17.1% - 17.3%	20% - 21%	23% - 24%	
Adjusted Tax Rate	~19%	~21%	~21.5%	
Adjusted Diluted EPS	\$2.85 - \$2.93	\$3.60 - \$3.75	\$4.90 - \$5.05	

2018 - 2023 Sales Growth



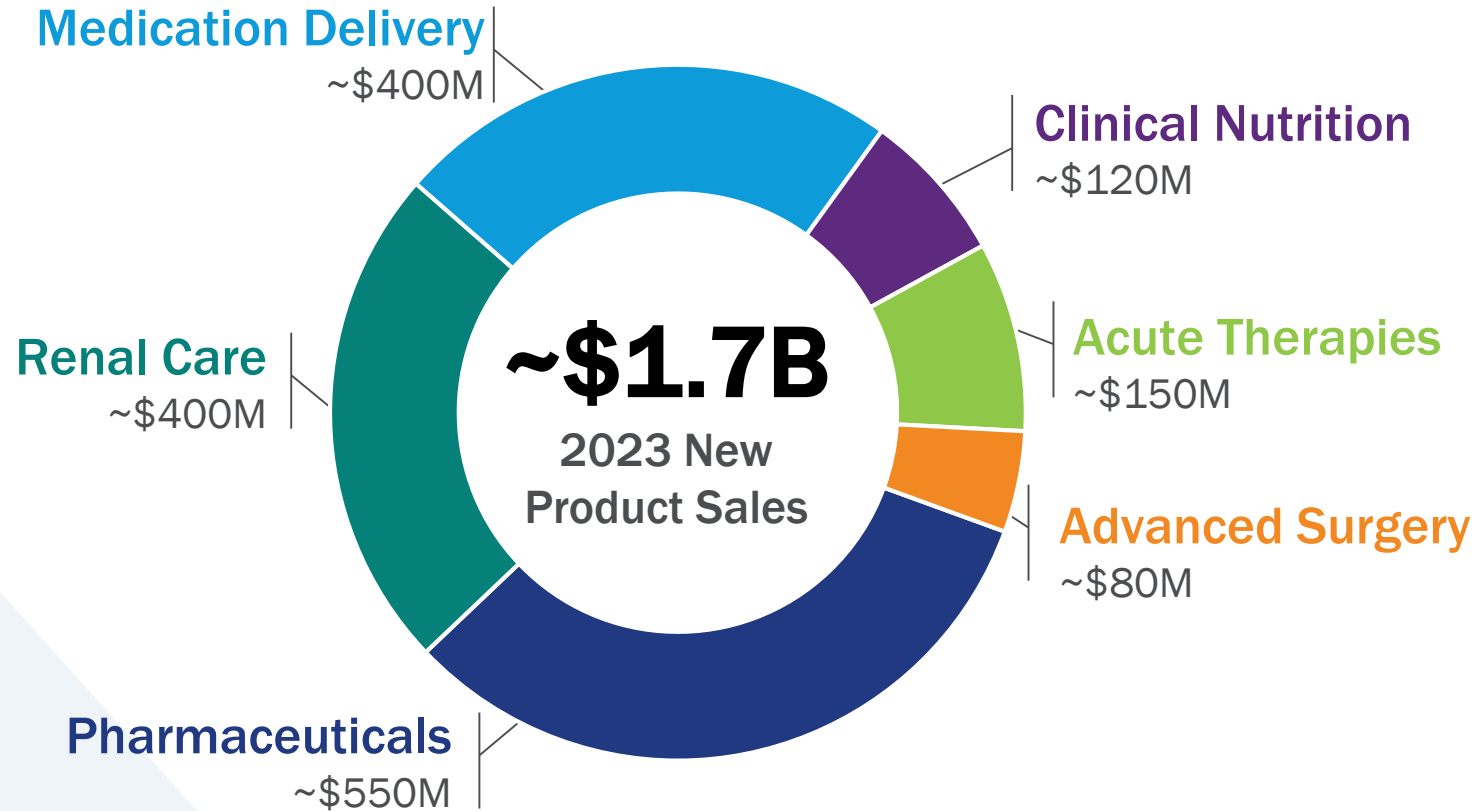
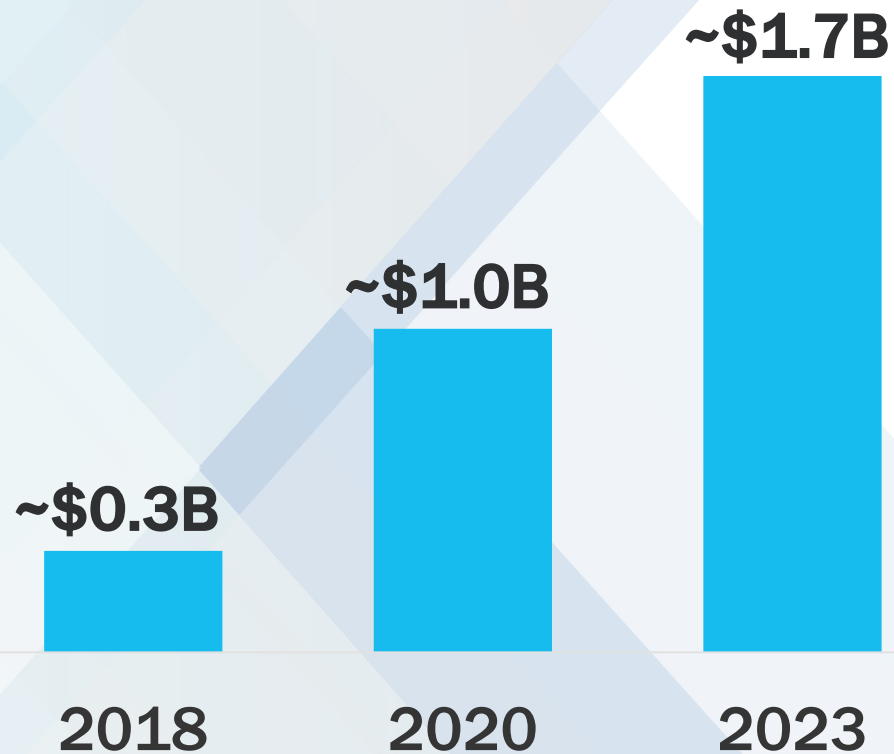
Sustainable Growth CAGR Of ~5% Driven By Strong Operational Performance, New Product Launches And Geographic Expansion

Revenue Growth By Business

	Market Growth 2018 - 2023 CAGR	Baxter Outlook 2018 - 2023 CAGR
Renal Care	~4%	~5%
Medication Delivery	~3%	3% - 4%
Pharmaceuticals	6% - 7%	6% - 7%
Clinical Nutrition	3% - 4%	4% - 5%
Advanced Surgery	4% - 5%	6% - 7%
Acute Therapies	7% - 8%	8% - 9%
Other	N/A	1% - 2%
Total Baxter	3% - 4% WAMGR ¹	~5%

Financial Outlook: New Product Sales

New Product Revenue



**New Product Sales And Geographic Expansion
To Contribute Over 40% Of Growth Over LRP**

Transforming Cost Structure And Enhancing Operational Efficiency



Zero-Based Organization

Rightsizing organization with reduced spans and layers



Zero-Based Spending

Employing disciplined cost assessment to eliminate waste



Portfolio Management

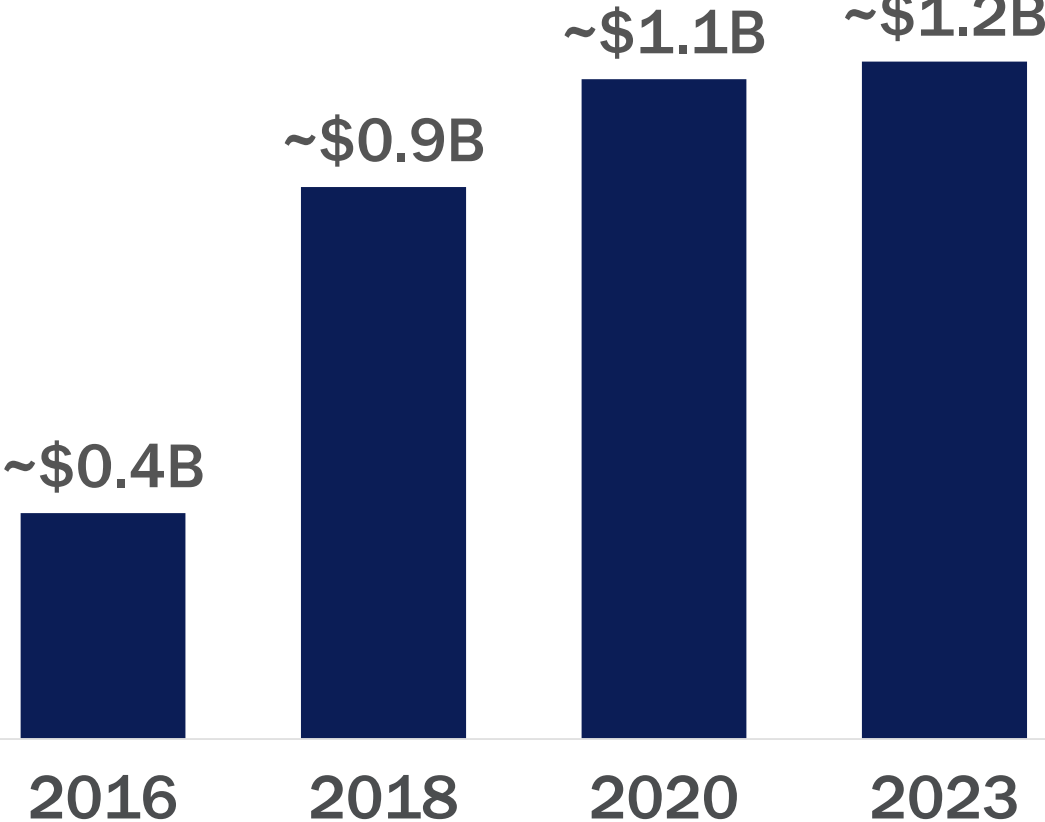
Optimizing manufacturing footprint, R&D operations and supply chain network



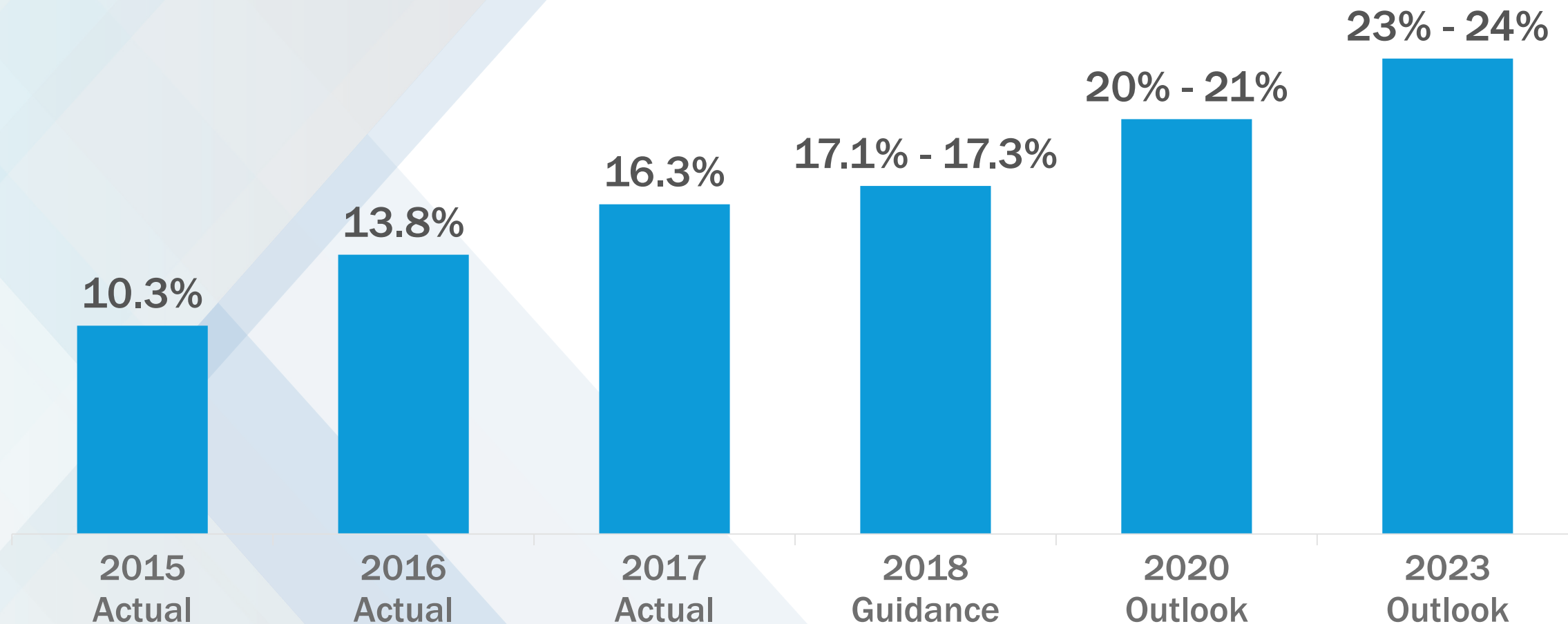
Global Business Services

Centralizing and streamlining support functions

Cumulative Savings vs. 2015

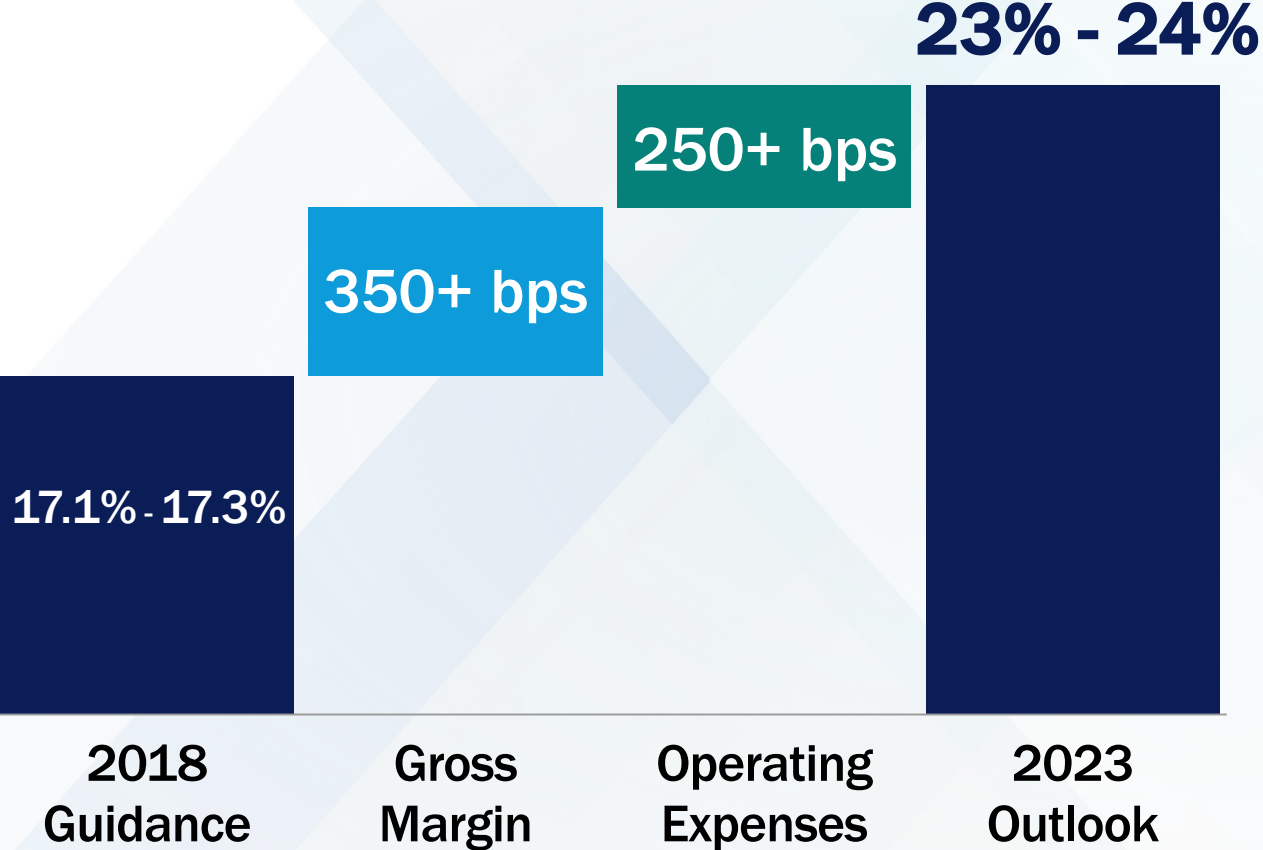


Adjusted Operating Margin Improvement



More Than Doubling Adjusted Operating Margin By 2023

Adjusted Operating Margin Improvement



600+ bps increase driven by:

- ✓ Portfolio mix improvement
- ✓ New product launches and geographic expansion
- ✓ Manufacturing optimization programs
- ✓ Modest price improvements
- ✓ Continued execution of business transformation initiatives

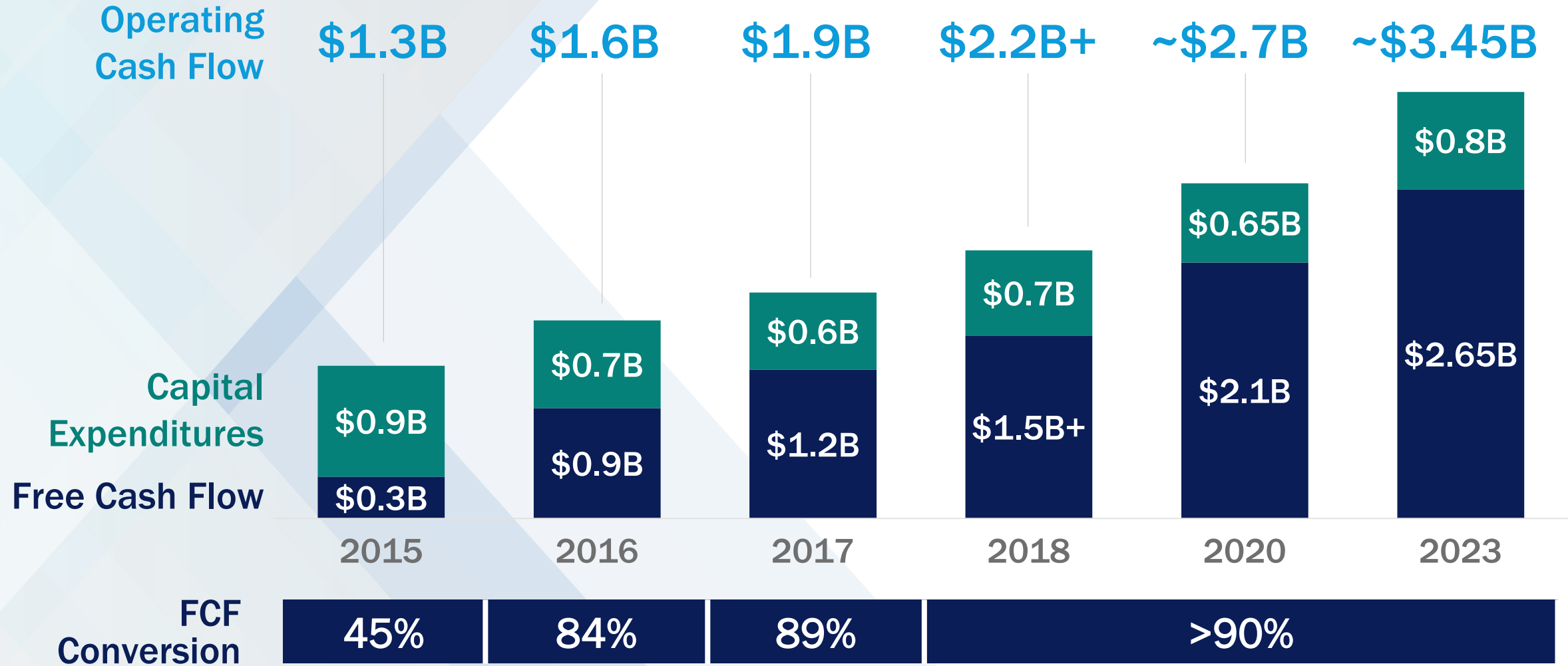
Enhanced Portfolio And Business Transformation Initiatives Drive 600+ bps Of Margin Expansion Over LRP

Financial Outlook: Cash Flow Summary

	2018 Guidance	2020 Outlook	2023 Outlook
Operating Cash Flow	\$2.2B+	~\$2.7B	~\$3.45B
Capital Expenditures	~\$700M	~\$650M	~\$800M
Free Cash Flow	\$1.5B+	~\$2.1B	~\$2.65B

Generating Improved Cash Flows And Maintaining Financial Flexibility

Cash Flow Improvement¹



Capital Allocation Priorities

REINVEST IN BUSINESS



Delivering sustainable, profitable growth with a reinvigorated pipeline

DIVIDENDS



Targeting ~35% dividend payout ratio of adjusted net income over time

M&A



Executing strategic acquisitions and collaborations to generate enhanced returns

SHARE REPURCHASE



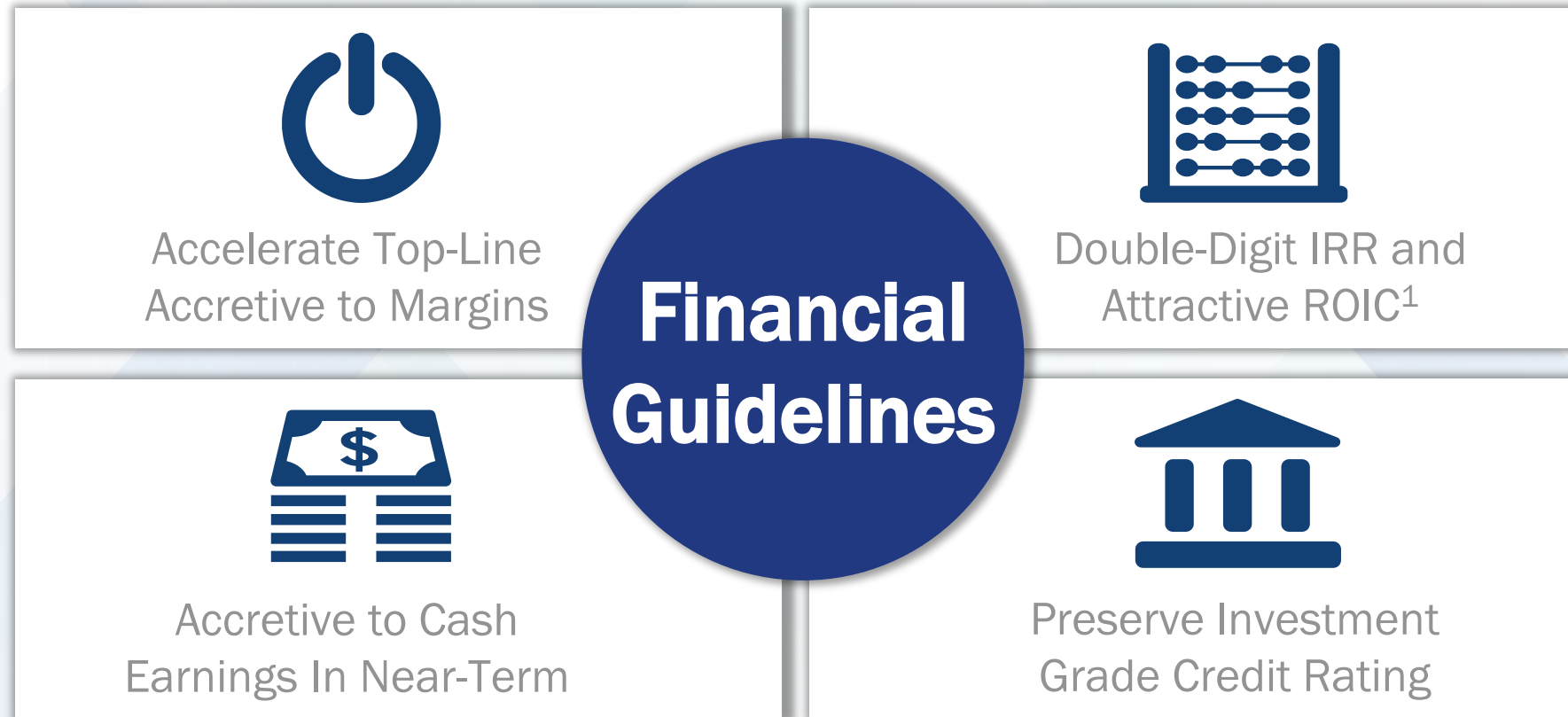
Selective share repurchases to return value to shareholders

Strategically Deploying Capital To Enhance Value And Improve Profitability

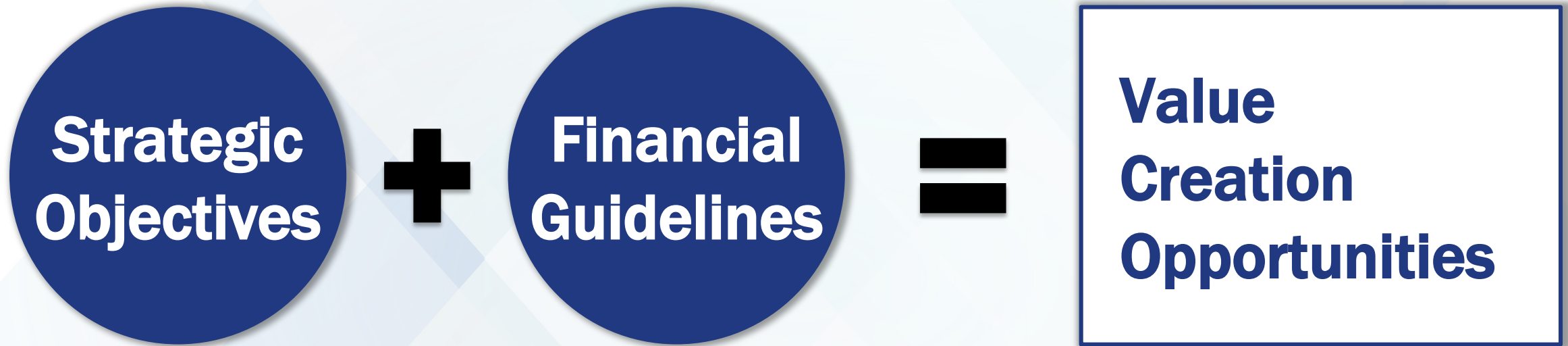
Rigorous Assessment Of Business Development And Licensing Opportunities



Rigorous Assessment Of Business Development And Licensing Opportunities



Rigorous Assessment Of Business Development And Licensing Opportunities



- ✓ Targeting future steady state of ~2.0X Net Debt / EBITDA
- ✓ Targeting investment grade rating

Evaluating Opportunities With Strategic And Financial Discipline

Key Takeaways

Strong markets, innovation and geographic expansion position Baxter to deliver a **~5% sales CAGR over the LRP**

Improving portfolio mix, new product launches and business transformation initiatives drive **600+ bps of operating margin improvement**

Continuing **significant improvement in cash flow generation** to maintain financial flexibility

Focused on **returning value to stakeholders** with a strategic, disciplined approach to capital allocation



**Non-GAAP Reconciliations
as of May 21, 2018**

Non-GAAP Reconciliation as of May 21, 2018

On May 21, 2018, Baxter presented guidance for FY 2018, FY 2020 and FY 2023 using non-GAAP measures of sales growth (on a constant currency basis), adjusted operating margin, adjusted tax rate, adjusted diluted earnings per share, free cash flow and free cash flow conversion (free cash flow divided by adjusted net income). All such measures are presented solely with respect to Baxter's continuing operations.

The reconciliations contained on these slides reconcile the non-GAAP measures set forth above to the most directly comparable GAAP measures based in each case on special items known to Baxter as of the date hereof. Actual results are subject to change, and may include or exclude additional special items, as applicable.

Forecasts:

Sales growth (on a constant currency basis) for FY 2018 of 5% excludes the impact of foreign currency of approximately 2% to 3%. GAAP sales growth is expected to be 7% to 8% for FY 2018. Sales growth forecasts for FY 2020 and FY 2023 assumes foreign currency rates remain unchanged compared to 2018.

For purposes of reconciling free cash flow, we have provided operating cash flow and a reconciliation of adjusted net income to GAAP net income for each subject period. See slide 15 for operating cash flow guidance over the LRP. Reconciling 2018 adjusted income from continuing operations of \$1.6 billion for known intangible amortization of \$0.1 billion, business optimization items of \$0.1 billion and the February 2018 settlement with Claris Injectables (Claris) of \$(0.1) billion results in GAAP income from continuing operations of \$1.5 billion. Reconciling 2020 adjusted income from continuing operations of \$2.0 to \$2.1 billion for known intangible amortization of \$0.1 billion results in GAAP income from continuing operations of \$1.9 to \$2.0 billion. Reconciling 2023 adjusted income from continuing operations of \$2.7 to \$2.8 billion for known intangible amortization of \$0.1 billion results in GAAP income from continuing operations of \$2.6 to \$2.7 billion.

Non-GAAP Reconciliation as of May 21, 2018

Forecasts, continued:

Reconciling 2018 adjusted operating margin of 17.1% to 17.3% for the impact of known intangible asset amortization expense of 1.5%, 1.3% to 1.6% in estimated business optimization items and 0.2% of estimated acquisition and integration expenses (as partially offset by a benefit of (0.7%) for the February 2018 Claris settlement) results in GAAP operating income margin of approximately 14.5% to 15.0%. Reconciling 2020 and 2023 adjusted operating margin of 20% to 21% and 23% to 24%, respectively, for known intangible asset amortization expense of 1% to 2% and 1%, respectively, results in GAAP operating income margin of approximately 18% to 20% and 22% to 23%, respectively.

The adjusted tax rate for FY 2018 of approximately 19% exceeds the GAAP tax rate of approximately 16% by 3% due to the February 2018 Claris settlement of 1%, the tax impact of business optimization items of approximately 1% and the tax impact of intangible asset amortization of approximately 1%. The adjusted tax rate for FY 2020 and FY 2023 of approximately 21% and 21.5%, respectively, approximates the GAAP tax rate in each year.

Reconciling 2018 adjusted diluted earnings per share of \$2.85 to \$2.93 for known intangible asset amortization expense of \$0.24, \$0.18 to \$0.23 of business optimization items, \$0.01 of litigation costs and \$0.03 of acquisition and integration expenses partially offset by (\$0.14) the February 2018 Claris settlement and (\$0.01) from U.S. tax reform results in GAAP diluted earnings per share between \$2.49 and \$2.6) from 2. For FY 2020 and FY 2023, reconciling adjusted diluted earnings per share of \$3.60 to \$3.75 and \$4.90 to \$5.05, respectively, by known intangible asset amortization expense of \$0.24 in FY 2020 and \$0.21 in FY 2023 results in GAAP diluted earnings per share of \$3.36 to \$3.51 and \$4.69 to \$4.84, respectively.

Free cash flow of approximately \$1.5 billion, \$2.1 billion and \$2.65 billion in FY 2018, FY 2020 and FY 2023, respectively, includes operating cash flow of approximately \$2.2 billion, \$2.7 billion and \$3.45 billion, respectively, less capital expenditures of approximately \$0.7 billion, \$0.6 billion and \$0.8 billion, respectively.

Non-GAAP Reconciliation as of May 21, 2018

Historical Results:

Operational sales growth of 5% in 2017 excludes the negative impact of strategic product exits of 1% offset by the positive impact from the Claris acquisition of 1%. GAAP sales growth for 2017 was 4%. Operational sales growth of 5% in 2016 excludes the negative impact of foreign currency exchange rates of 2% and generic competition for U.S. cyclophosphamide of 1%. GAAP sales growth for 2016 was 2%.

Reconciling 2017 adjusted operating margin of 16% for intangible asset amortization expense of 1%, business optimization items of 2%, and separation-related costs, product-related items, Claris acquisition and integration expenses, Hurricane Maria costs, historical rebate and discount adjustments and litigation and contractual disputes aggregating to 1% results in GAAP operating margin of 12%. Reconciling 2016 adjusted operating margin of 14% for intangible asset amortization expense of 2%, business optimization items of 4%, and separation-related costs of 1% results in GAAP operating margin of 7%. Reconciling 2015 adjusted operating margin of 10% for intangible asset amortization expense of 1%, business optimization items of 2%, and separation-related costs of 1% results in GAAP operating margin of 6%.

Reconciling 2017 adjusted income from continuing operations of \$1.4 billion for known intangible amortization of \$0.1 billion, business optimization items of \$0.1 billion, impact of the U.S. tax reform of \$0.3 billion and separation-related costs, product-related items, Claris acquisition and integration expenses, Hurricane Maria costs, historical rebate and discount adjustments and litigation and contractual disputes aggregating to \$0.1 billion results in GAAP income from continuing operations of \$0.7 billion. Reconciling 2016 adjusted income from continuing operations of \$1.1 billion for intangible amortization of \$0.1 billion, business optimization items of \$0.3 billion, debt extinguishment costs of \$0.1 billion, separation-related costs, asset impairment and tax matters aggregating to \$0.1 billion offset by \$(4.4) billion of gains related to Baxalta retained shares transactions results in GAAP income from continuing operations of \$5.0 billion. Reconciling 2015 adjusted income from continuing operations of \$0.8 billion for intangible amortization of \$0.1 billion, business optimization items of \$0.1 billion, separation-related costs of \$0.1 billion and debt extinguishment costs of \$0.1 billion results in GAAP income from continuing operations of \$0.4 billion.

Non-GAAP Reconciliation as of May 21, 2018

Historical Results, continued:

Reconciling 2017 adjusted diluted earnings per share of \$2.48 for known intangible asset amortization expense of \$0.19, \$0.21 of business optimization items, \$0.02 of separation-related costs, \$0.02 of product-related items, \$0.04 of Claris acquisition and integration expenses, \$0.06 of Hurricane Maria expenses, \$0.03 related to litigation and contractual disputes, \$0.04 for the deconsolidation of Baxter's Venezuelan operations, \$0.58 for the estimated impact of U.S. tax reform and \$(0.02) related to an adjustment to Baxter's historical rebate and discount reserves results in GAAP diluted earnings per share of \$1.30.

Reconciling 2016 adjusted diluted earnings per share of \$1.96 for intangible asset amortization expense of \$0.21, \$0.07 of intangible asset impairment, \$(8.07) of net realized gains on Baxalta retained shares transactions, \$0.18 of debt extinguishment costs, \$0.53 of business optimization items, \$0.07 of separation-related costs, \$(0.02) for a net after-tax benefit related to the settlement of an income tax matter in Baxter's joint venture in Turkey and \$(0.02) of product-related items results in GAAP diluted earnings per share from continuing operations of \$9.01.

Reconciling 2015 adjusted diluted earnings per share of \$1.38 for known intangible asset amortization expense of \$0.23, \$0.15 of debt extinguishment costs, \$0.26 of business optimization items and Gambro integration expenses, \$0.15 of separation-related costs, \$(0.06) of litigation settlements, \$(0.03) for the reversal of contingent consideration milestone liabilities and \$(0.05) of product-related items results in GAAP diluted earnings per share of \$0.72.

Free cash flow of \$1.2 billion in 2017 consists of \$1.8 billion of operating cash flows less \$0.6 billion of capital expenditures. Free cash flow of \$0.9 billion in 2016 consists of \$1.6 billion of operating cash flows less \$0.7 billion of capital expenditures. Free cash flow of \$0.3 billion in 2015 consists of \$1.3 billion of operating cash flows less \$0.9 billion of capital expenditures.

Totals presented in these reconciliations may not foot due to rounding.

Non-GAAP Reconciliation as of May 21, 2018

Sales growth at constant currency reflects the percentage increase in local currency sales as compared to the prior period, translated at the prior period's foreign exchange rates. Operational sales growth is also presented and excludes the impact of foreign exchange, generic competition for U.S. cyclophosphamide, the acquisition and select strategic product exits Baxter is undertaking. Adjusted operating margin is calculated by dividing adjusted operating income by net sales. Adjusted tax rate is calculated by dividing adjusted tax expense by adjusted pre-tax income. Adjusted diluted earnings per share is calculated by dividing adjusted net income by diluted shares outstanding. Free cash flow represents operating cash flows minus capital expenditures. Free cash flow conversion represents free cash flow divided by adjusted net income from continuing operations.

Non-GAAP financial measures may provide a more complete understanding of Baxter's operations and can facilitate a fuller analysis of Baxter's results of operations, particularly in evaluating performance from one period to another. Sales growth at constant currency provides information on the change in net sales assuming the foreign currency exchange rates had not changed between the prior and current period. Operational sales growth provides information on the change in net sales assuming that foreign currency exchange rates remain constant and excluding the impact of U.S. cyclophosphamide competition, the Claris acquisition and strategic product exits. Adjusted operating margin, adjusted tax rate and adjusted diluted earnings per share all exclude special items. Free cash flow excludes capital expenditures from operating cash flows. Special items are excluded because they are highly variable, difficult to predict or unusual and of a size that may substantially impact Baxter's reported operations for a period. Additionally, intangible asset amortization expense is excluded as a special item to facilitate an evaluation of current and past performance, particularly in terms of cash returns, and is similar to how management internally assesses performance.

These estimates are based on information reasonably available at the time of this presentation and future events or new information may result in different actual results.

Management believes that non-GAAP earnings measures, when used in conjunction with the results presented in accordance with GAAP and the reconciliations to corresponding GAAP financial measures, may enhance an investor's overall understanding of Baxter's past financial performance and prospects for the future. Accordingly, management uses 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 a substitute for, information prepared in accordance with GAAP.

The background features a complex geometric pattern of overlapping triangles in various shades of blue, from light sky blue to dark navy blue, creating a dynamic, crystalline effect. The text is centered and rendered in white for high contrast against the darker blue areas.

Baxter

2018 Investor Conference