Baxter

Fourth-Quarter 2018 Earnings

Baxter International Inc.

January 31, 2019

Safe Harbor Statement

This presentation includes forward-looking statements concerning Baxter's financial results, business development activities, capital structure, cost savings initiatives, R&D pipeline, including results of clinical trials and planned product launches, and financial outlook for first 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 use 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; 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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TOP QUARTILE GOALS

- Patient safety and Quality
- Growth through innovation
- Best place to work
- Industry leading performance

Our Strategy

Strengthen our portfolio and extend our impact through transformative innovation that spans prevention to recovery

Delivering On Our Strategy
Business Highlights

Building Momentum With Strong Focus on Operational Performance

- Delivered solid fourth-quarter 2018 earnings growth, largely driven by operational performance and business transformation initiatives
- Continuing momentum with new product launches, geographic expansion, and evidence generation
- Focused on meeting long-term financial goals through strategic execution and rigorous financial management

Capitalizing On New Product Launches And Geographic Expansion

- Reallocating investment to higher-margin, faster-growing businesses
- Executing on a robust pipeline to provide meaningful innovations for patients and providers
- Enhanced capabilities along with increasing R&D efficiency enable accelerating launch cadence

Executing Disciplined Focus On Business Transformation

- Implementing optimized organizational structure, transforming cost structure, and simplifying processes
- Establishing global centers of excellence to drive efficiencies in functional areas
- Simplifying portfolio and optimizing manufacturing footprint

Significantly Enhancing Balance Sheet Flexibility To Deliver Value

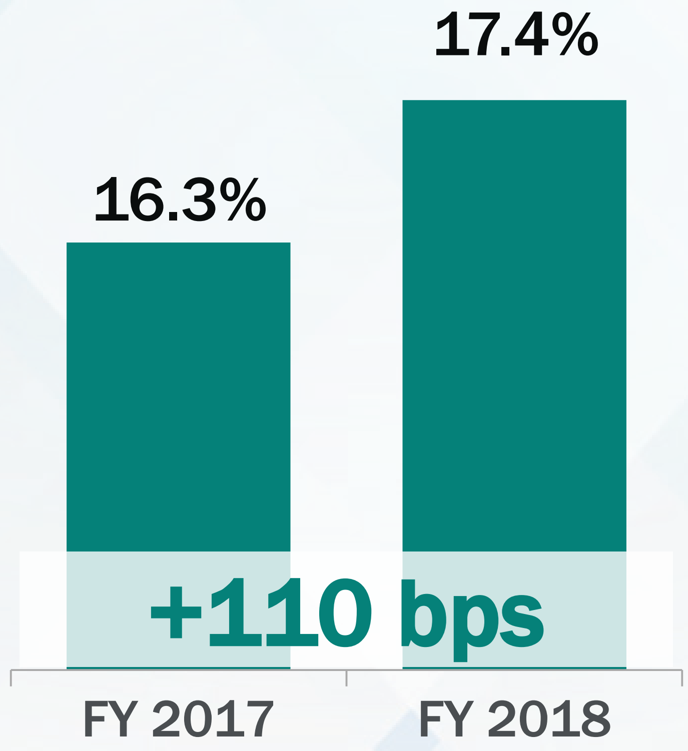
- Focusing on operational improvement and effective working capital management to improve cash flow
- Returned value directly to shareholders via 19% dividend increase and over $2.4 billion of share repurchases in 2018
- Maintaining financial optionality while thoroughly assessing high-value capital investment opportunities

Continuing Momentum Of Key Metrics

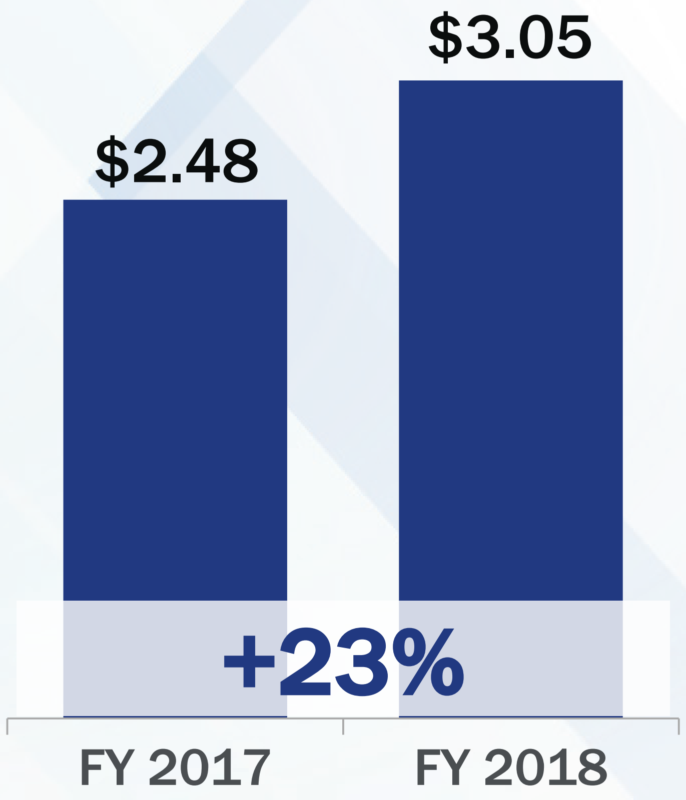
Full-Year 2018 Financial Snapshot[1]

Global Reported Sales

Adjusted Operating Margin



Adjusted Diluted EPS



[1]See www.baxter.com for information regarding non-GAAP financial metrics used in this presentation, including constant currency and operational sales, adjusted gross margin, adjusted operating margin, adjusted diluted EPS, free cash flow, adjusted SG&A expense, adjusted R&D expense, and adjusted operating expense. [2]FY 2018 operational sales growth excludes the impact of foreign currency of approximately 1%, acquisitions of approximately 1%, and U.S. cyclophosphamide competition of approximately 0%; GAAP sales growth for the period was approximately 5% compared to FY 2017.

Fourth-Quarter and Full-Year 2018

Sales And Adjusted Earnings[1]

Metric	Q4 2018 Guidance	Q4 2018 Actual	FY 2018 Guidance	FY 2018 Actual
Sales Growth *Operational*	3% - 4%	+5%	~3%	+3%
Sales Growth *Reported*	~1%	+2%	~5%	+5%
Adjusted Diluted EPS *Growth vs. Prior-Year Period*	$0.71 - $0.73 *11% - 14%*	$0.78 +22%	$2.98 - $3.00 *20% - 21%*	$3.05 +23%

Delivering Steady Top And Bottom Line Growth

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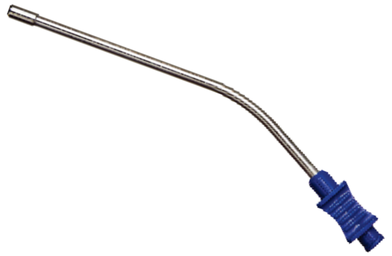
Advancing Our New Product Portfolio

Recent R&D And Commercial Milestones

Sharesource

On-Demand PD Solution Generation



Floseal Curved Applicator

Dexmedetomidine Hydochloride

- Announced over 5 million home peritoneal dialysis (PD) treatments performed globally with Sharesource remote patient management platform, which, in recent data from Baxter clinics in Columbia, has been associated with a reduction in hospitalization for home patients[1]
- Began patient treatments in the U.S. clinical trial for Baxter's on-demand peritoneal dialysis (PD) solution generation system, designed to improve the patient experience by making PD solutions in small batches in patients' homes
- Introduced the Disposable Curved Applicator to enhance the controlled delivery experience of the Floseal Hemostatic Matrix product line during ENT procedures
- Expanded generic injectable pharmaceuticals portfolio with multiple products, including dexmedetomidine hydrochloride in 0.9% sodium chloride using proprietary GALAXY container technology, the first and only presentation of this premixed formulation in a flexible, shelf-stable, ready-to-use container

[1]See www.baxter.com for more detail regarding Sharesource remote patient management platform and related research

Financial Results

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Fourth-Quarter 2018 Sales By Global Business Unit[1]

$ In Millions	Q4 2018 Revenue			Total Growth		
	U.S.	International	Total	Reported	Constant	Operational
Renal Care	$207	$746	$953	+1%	+5%	+5%
Medication Delivery	$410	$250	$660	(2%)	(0%)	(0%)
Pharmaceuticals	$251	$289	$540	+6%	+9%	+11%
Clinical Nutrition	$78	$137	$215	(7%)	(5%)	(5%)
Advanced Surgery	$127	$87	$214	+15%	+17%	+5%
Acute Therapies	$45	$92	$137	+9%	+12%	+12%
Other	$54	$68	$122	+11%	+14%	+14%
Total Baxter	**$1,172**	**$1,669**	**$2,841**	**+2%**	**+5%**	**+5%**

[1]See www.baxter.com for information regarding non-GAAP financial metrics used in this presentation, including constant currency and operational sales, adjusted gross margin, adjusted operating margin, adjusted diluted EPS, free cash flow, adjusted SG&A expense, adjusted R&D expense, and adjusted operating expense.

Full-Year 2018 Sales By Global Business Unit[1]

$ In Millions	FY 2018 Revenue U.S.	FY 2018 Revenue International	FY 2018 Revenue Total	Total Growth Reported	Total Growth Constant	Total Growth Operational
Renal Care	$816	$2,846	$3,662	+5%	+4%	+4%
Medication Delivery	$1,690	$979	$2,669	(1%)	(2%)	(2%)
Pharmaceuticals	$996	$1,096	$2,092	+11%	+10%	+8%
Clinical Nutrition	$321	$556	$877	(1%)	(3%)	(3%)
Advanced Surgery	$466	$334	$800	+13%	+12%	+5%
Acute Therapies	$174	$343	$517	+13%	+11%	+11%
Other	$260	$250	$510	+12%	+10%	+10%
Total Baxter	**$4,723**	**$6,404**	**$11,127**	**+5%**	**+4%**	**+3%**

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Fourth-Quarter 2018 Sales By Operating Segment[1]

$ In Millions	Q4 2018 Revenue	Total Growth	
	Reported	Reported	Constant
Americas (North and South America)	$1,495	+3%	+4%
EMEA (Europe, Middle East and Africa)	$772	+3%	+6%
APAC (Asia Pacific)	$574	+2%	+6%
Total Baxter	**$2,841**	**+2%**	**+5%**

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Full-Year 2018 Sales By Operating Segment[1]

$ In Millions	FY 2018 Revenue	Total Growth	
	Reported	Reported	Constant
Americas (North and South America)	$5,959	+4%	+5%
EMEA (Europe, Middle East and Africa)	$2,961	+8%	+4%
APAC (Asia Pacific)	$2,207	+5%	+4%
Total Baxter	**$11,127**	**+5%**	**+4%**

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Fourth-Quarter 2018 Adjusted Financial Results[1]

	Q4 2018	Q4 2017	Change
Adjusted Gross Margin	44.3%	44.4%	(10 bps)
Adjusted SG&A Expense (% of Sales)	21.0%	22.5%	(150 bps)
Adjusted R&D Expense (% of Sales)	5.8%	6.5%	(70 bps)
Adjusted Operating Margin	17.5%	15.4%	+210 bps
Adjusted Diluted EPS	$0.78	$0.64	+22%

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Full-Year 2018 Adjusted Financial Results[1]

	FY 2018	FY 2017	Change
Adjusted Gross Margin	45.0%	44.8%	+20 bps
Adjusted SG&A Expense (% of Sales)	22.0%	22.8%	(80 bps)
Adjusted R&D Expense (% of Sales)	5.6%	5.8%	(20 bps)
Adjusted Operating Margin[2]	17.4%	16.3%	+110 bps
Adjusted Diluted EPS	$3.05	$2.48	+23%

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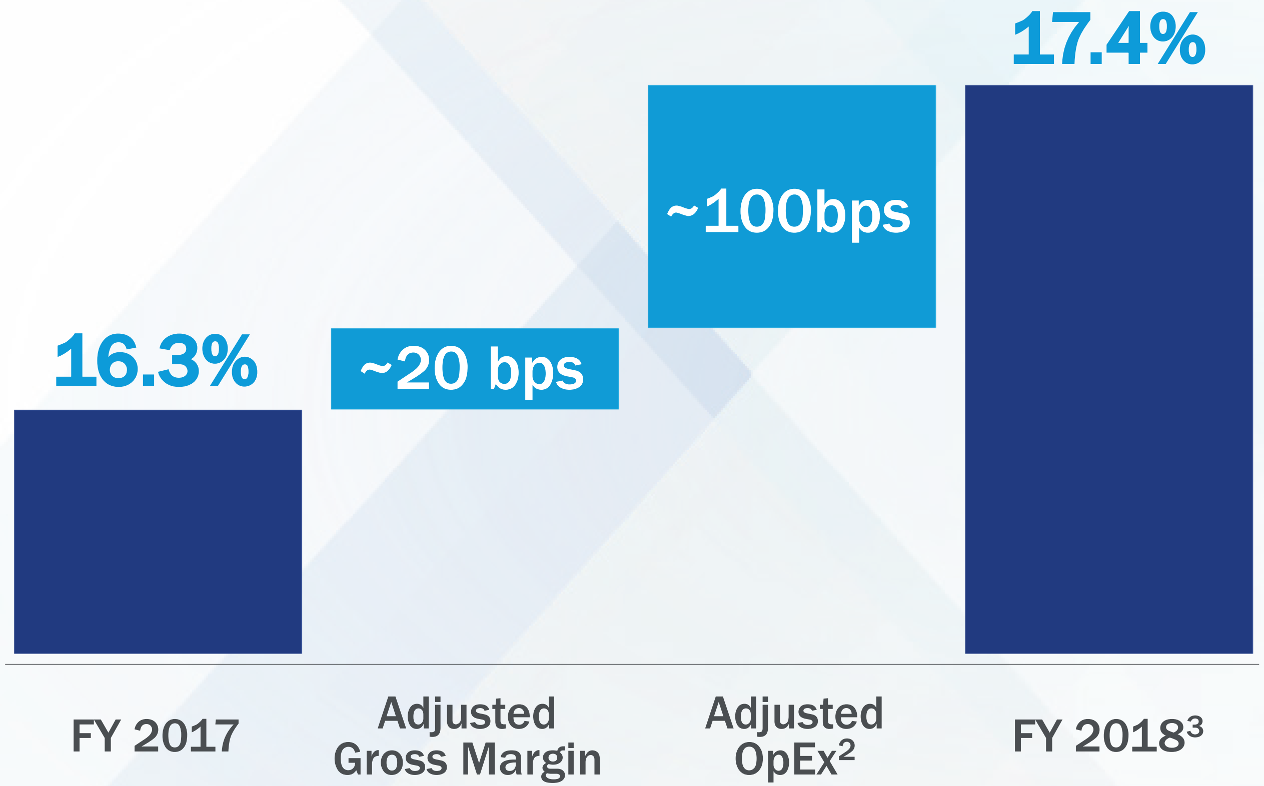
Driving Operational Excellence Across the Company

FY 2018 vs. FY 2017 Adjusted Operating Margin[1]



Highlights:

- ✓ Favorable product mix and manufacturing efficiencies partially offset by increased supply chain costs
- ✓ Business transformation initiatives and focus on optimized cost structure drive expense leverage
- ✓ Reallocating and accelerating R&D investment to drive organic innovation

Adjusted Operating Margin Expansion Of 110 bps Over Full-Year 2017 Reflects Strong Operational Performance And Disciplined Financial Management

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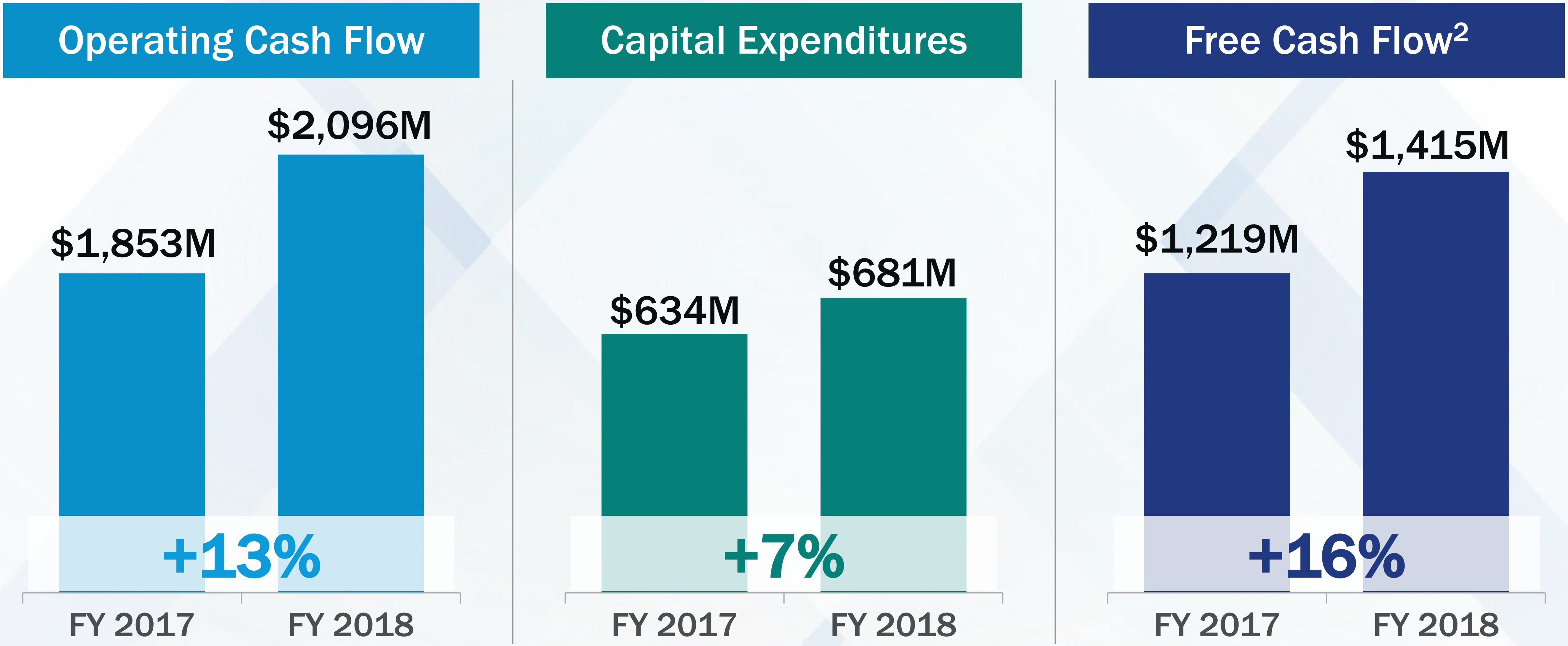
Disciplined Financial Execution Continues to Drive Strong Cash Flow Generation[1]



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Strategically Deploying Capital To Fuel Growth And Create Value

Reinvestment in Business

Strategically investing in higher-margin opportunities to drive innovation

Dividends

Increased annual dividend rate by 19% in 2018; currently targeting ~35% dividend payout ratio over time

Share Repurchases

Repurchased ~36 million Baxter shares in 2018

Strategic M&A

Continuing rigorous assessment of business development and licensing opportunities

2019 Outlook

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Full-Year 2019 Sales Guidance[1]

	Full-Year 2019 *Guidance*
Sales Growth *Operational*	**3% - 4%**
US Cyclo Competition	⬇ (<100 bps)
Sales Growth *Constant*	**2% - 3%**
Foreign Exchange	⬇ (200+ bps)
Sales Growth *Reported*	**0% - 1%**

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Full-Year 2019 Financial Guidance[1]

	Full-Year 2019 *Guidance*
Adjusted Operating Margin	**18.0% - 18.4%**
Adjusted Diluted EPS *Growth vs. Prior-Year Period*	**\$3.22 - \$3.30** *6% - 8%*
Operating Cash Flow	**~\$2.3B**
Free Cash Flow	**~\$1.6B**

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Full-Year 2019 Sales Guidance By Business[1]

	Full-Year 2019 *Constant Currency*	Full-Year 2019 *Operational*
Renal Care	2% – 3%	2% – 3%
Medication Delivery	~6%	~6%
Pharmaceuticals	(3%) – (4%)	~0%
Clinical Nutrition	~3%	~3%
Advanced Surgery	3% – 4%	3% – 4%
Acute Therapies	7% – 8%	7% – 8%
Other	LSD Decline	LSD Decline
Total Baxter	**2% – 3%**	**3% – 4%**

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First-Quarter 2019 Financial Guidance[1]

	First-Quarter 2019 *Guidance*
Sales Growth *Operational*	**1% - 2%**
US Cyclo Competition	⬇ (<100 bps)
Sales Growth *Constant*	**~1%**
Foreign Exchange	⬇ (300+ bps)
Sales Growth *Reported*	**(~3%)**
Adjusted Diluted EPS *Growth vs. Prior-Year Period*	**$0.66 - $0.68** *(6%) – (3%)*

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