



Baxter

2020



Investor Conference

New York City, New York

May 9, 2016

Baxter

Safe Harbor Statement

This presentation includes forward-looking statements concerning Baxter's expected business prospects, long range plan, capital structure, cost savings initiatives, R&D pipeline including regulatory actions and commercial launch events, business development plans and other growth strategies of Baxter. 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; future actions of regulatory bodies and other governmental authorities, including the FDA and foreign counterparts; failures with respect to compliance programs; future actions of third-parties, including payors; 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; fluctuations in supply and demand; the availability of acceptable raw materials and component supply; the inability to create timely production capacity or other manufacturing supply difficulties; the ability to achieve the intended results (including targeted margin improvements) associated with the separation of Baxter's biopharmaceutical and medical products businesses and the associated disposition of the company's retained stake in Baxalta Incorporated (Baxalta) on a tax-free basis; the ability to complete the disposition of the remainder of the retained stake on a tax-free basis (including as a result of delays in obtaining required regulatory approvals or the impact of recently issued US Treasury regulations on the proposed Baxalta – Shire plc merger); 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 (including with respect to emerging market currencies); any change in law concerning the taxation of income, including income earned outside the United States; actions taken by tax authorities in connection with ongoing tax audits; breaches or failures of the company's information technology systems; 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.

Agenda

Agenda Item	Speaker
Baxter Overview / Opening Comments	Joe Almeida Chairman and Chief Executive Officer
Hospital Products Overview	Brik Eyre President, Hospital Products
Renal Overview	Richard Marritt Global Franchise Head, Acute and RTS
R&D Productivity Update	Marcus Schabacker, M.D., Ph.D. Chief Scientific Officer

Break

Extracorporeal Therapies Discussion With Critical Care Expert	John Kellum, M.D. University of Pittsburgh Medical Center Marcus Schabacker, M.D., Ph.D. Chief Scientific Officer
Financial Overview	Jay Saccaro Chief Financial Officer
Q&A Panel	Baxter Senior Management Team

Reception / Innovation Hall

A world map is visible in the background, split into two halves. The left half is light gray on a white background, and the right half is dark blue on a blue background. The text '2020' and 'Baxter' is overlaid on the left half.

2020
Baxter

Submit Your
Questions To*:

BAX_IC@baxter.com

*E-Mail Only Active During Live Conference On May 9, 2016.

Baxter



2020 Baxter

Erick Quiles Perez
BioSurgery Patient
San Juan, Puerto Rico

Investor Conference

José (Joe) Almeida

Chairman and Chief Executive Officer

May 9, 2016

Baxter

Management Team

Presenters



José E. Almeida
Chairman and
Chief Executive
Officer



Brik V. Eyre
President,
Hospital
Products



**W. Richard
Marritt**
Global Franchise
Head, Acute and
RTS



**Marcus
Schabacker,
M.D., Ph.D.**
Chief Scientific
Officer



**James K.
Saccaro**
Chief
Financial
Officer



**Giuseppe
Accogli**
Interim President,
Renal



Paul Vibert
President,
International



**Clare M.
Trachtman**
Vice President,
Investor
Relations

Senior Management Team



**Scott A.
Bohaboy**
CVP, Treasurer
and Global
Planning



**Robert
Felicelli**
Chief
Transformation
Officer



Caroline Karp
CVP, Controller



**Jacqueline
Kunzler**
Vice President,
Global Quality



**Timothy P.
Lawrence**
CVP,
Operations



Paul E. Martin
Chief
Information
Officer



**Jeanne K.
Mason, Ph.D.**
CVP, Human
Resources



**Ellen K.
McIntosh**
Corporate
Secretary



**David P.
Scharf**
General
Counsel

Baxter: A Leading Medical Products Company

Our Mission

Save And Sustain Lives



➤ Making A Difference In Patients' Lives For More Than 80 Years

Prepared To Thrive In An Evolving Healthcare Landscape

We Understand Our
Customers And Patients



Baxter



And Are Well Positioned To Address
Their Wide-Ranging Needs

➤ Addressing Customer Needs With Broad Portfolio Of Products And Solutions

Addressing Healthcare Needs Across The Spectrum Of Care



Operating Room

#1 In Anesthesia
#2 In BioSurgery

ICU

#1 In Acute Renal
#2 In Large Volume Pumps

Pharmacy

#1 In Nutrition
#1 In Premix Injectable
Drugs (US)

Alt Site / Home

#1 In Peritoneal Dialysis
#2 In In-Center Hemodialysis

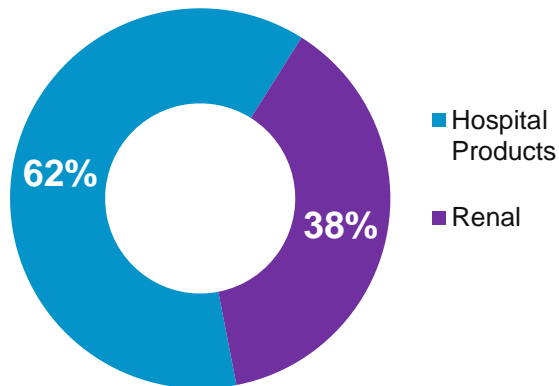
General Ward

#1 In IV Solutions
#2 In Access / Sets

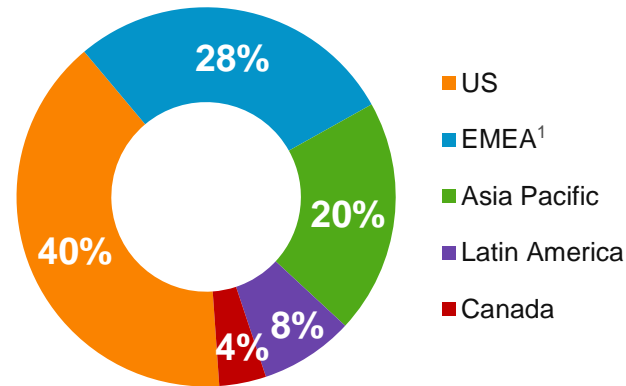
Baxter Profile

\$10.0B
2015 Revenue

By Business



By Region



Portfolio

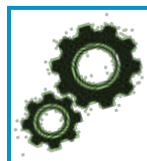
- Broad Offering Of Medically Necessary Products And Therapies
- Channel Strength And Therapy Leadership

Presence

- Iconic Brand With More Than 70% Of Sales In Market Leading Positions
- Global Footprint With Sales In 120+ Countries And Manufacturing Operations In 28 Countries

➤ **Resilient Portfolio Of Market Leading Products With Broad Geographic Reach**

Recap: Clear Plans Outlined May 2015



Optimize Cost Structure And Enhance Operations

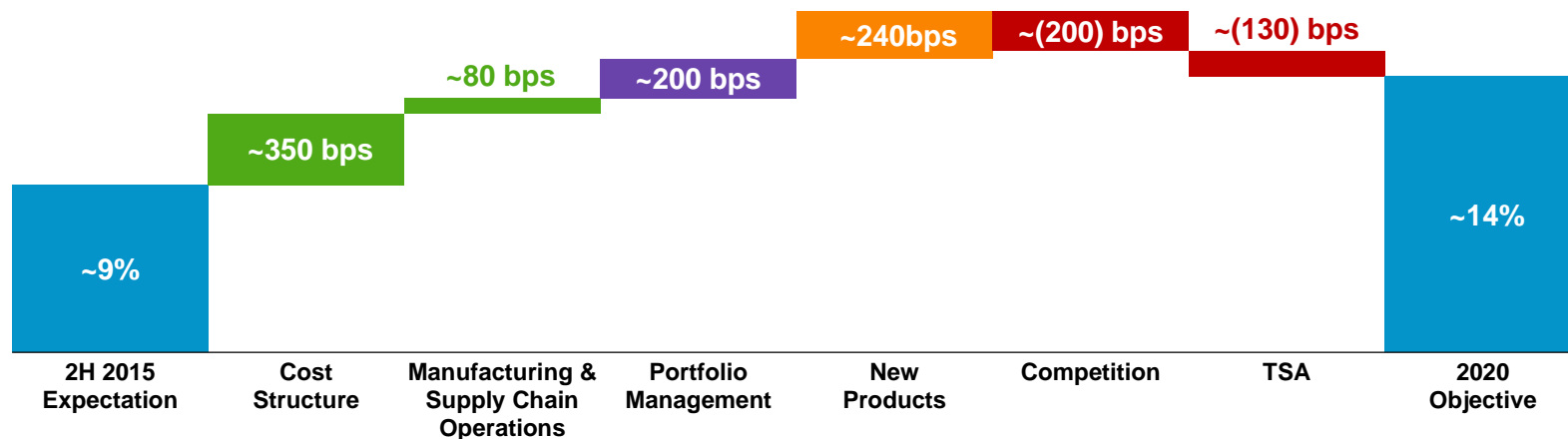


Disciplined Portfolio Management



Launch New Products And Leverage R&D Spend

Total New Baxter Adjusted Operating Margin (% Of Sales)



➤ Outlining Plans Today To Meaningfully Improve Prior Margin Expansion Goals

Demonstrating Solid Progress Against Initial Plans



Financial Performance

- Financial Performance For 2H 2015 And Q1 2016 Ahead Of Guidance
- Operating Margin Compares Favorably To Guidance
- Cash Flow Performance Better Than Expectations



Product Launches

- Capitalizing On Important New Product Launches And Geographic Expansions:
 - AMIA And HOMECHOICE CLARIA
 - Cefazolin 2g
 - NUMETA G13E
 - SIGMA SPECTRUM
 - Vancomycin Saline
 - HEMOPATCH



Cost Management

- Announced Restructuring In October 2015 (~5% Of Non-Manufacturing Workforce)
- Disciplined Management Of Discretionary Expenses
- Accelerating Work On Other Cost Reduction Initiatives

Cash and equivalents
Accounts and other current assets
Inventories
Prepaid expenses and other assets
Investment in Baxalta companies
Current assets held for disposal
Total current assets

Balance Sheet

- Retained Stake Plan Provides Significant Financial Flexibility To Create Value
- Increased Dividend Rate By 13% In May 2016, Resulting In Annual Dividend Of \$0.52 Per Share

➤ Building Upon Momentum To Drive Further Improvements In Performance

Baxter 2020 Snapshot

- Optimize The Product Portfolio
- Improve Operational Efficiency
- Deploy Capital Consistent With Strategic Priorities
- Provide High Quality Products With Priority Placed On Patient Safety
- Deliver Top Quartile Returns For Shareholders, Patients And Employees



Aline De Causmaecker
IV Solutions R&D
Alliance Park, Belgium

Aspiration For Baxter 2020





Quality And Patient Safety

Implementing The Highest Standards For Excellence In Quality

Total Inspections	2013	2014	2015
FDA	19	15	19
All Agencies	202	200	252

- **74% Decrease** In Observations From **FDA Inspections**, 2013-2015
- **36% Decrease** In Observations From **MoH Inspections**, 2013-2015
- 12 FDA Inspections Resulting In **Zero Observations** In 2015
- **35% Decrease** In Complaints Year Over Year

➤ **Strong Progress On Key Quality Metrics**





Best Place To Work



BRIDGE AWARD 2015



Luminary and Rising Star Awards





Industry Leading Performance

Advancing Three Critical Drivers

**Portfolio And
Innovation
Management**

**Operational
Excellence**

**Capital
Allocation**

**Drive Improved Performance And Value Creation
To Deliver Top Quartile Shareholder Returns**



Industry Leading Performance

Advancing Three Critical Drivers

**Portfolio And
Innovation
Management**

**Operational
Excellence**

**Capital
Allocation**

**Drive Improved Performance And Value Creation
To Deliver Top Quartile Shareholder Returns**

Strategic Business Groupings

Portfolio And
Innovation
Management

Operational
Excellence

Capital
Allocation

**Core
Growth**

Invest Aggressively For Long-Term, High-Profit Growth

**Core Return
On Capital**

Sustain And Extend Leadership; Optimize Returns

**Maintain Or
Manage Differently**

Sustain Investment Or Reposition / Change Approach

**Strategic
Bets**

**Evaluate Path To Leadership, Build Plan To Win, And
Then Invest Aggressively**

Strategic Business Groupings

Portfolio And
Innovation
Management

Operational
Excellence

Capital
Allocation

Core Growth	BioSurgery	Nutrition	Injectable Drugs
	Acute Renal (CRRT ¹)		
Core Return On Capital	Anesthesia	IV Solutions (Select Geographies)	Pumps And Sets
	Peritoneal Dialysis / Renal Therapy Services	BioPharma Solutions	
Maintain Or Manage Differently	Compounding	Elastomerics	In-Center Hemodialysis
Strategic Bets	Disruptive Renal Models	Critical Care / Extracorporeal Therapies	

Investment Decisions Vary For Global Versus Regional Positioning

Portfolio And
Innovation
Management

Operational
Excellence

Capital
Allocation

Four Potential Investment Categories



Global Investments



Regional Investments

The Level Of Investment Across All Of These Categories Will Vary Based On The Strategic Positioning Of The Business

Focused On Accelerating R&D Productivity

Portfolio And
Innovation
Management

Operational
Excellence

Capital
Allocation

High-Value Innovation Is Essential For Promoting Accelerated, Sustainable Growth

- Shifting Increasing Proportion Of R&D Investment To New Product Development
- Increasing R&D Operational Efficiency
- Enhancing Internal Capabilities
- Advancing Strategic Partnerships
- Pursuing The Most Compelling Opportunities



➤ Focused On High-Value, High-Potential R&D

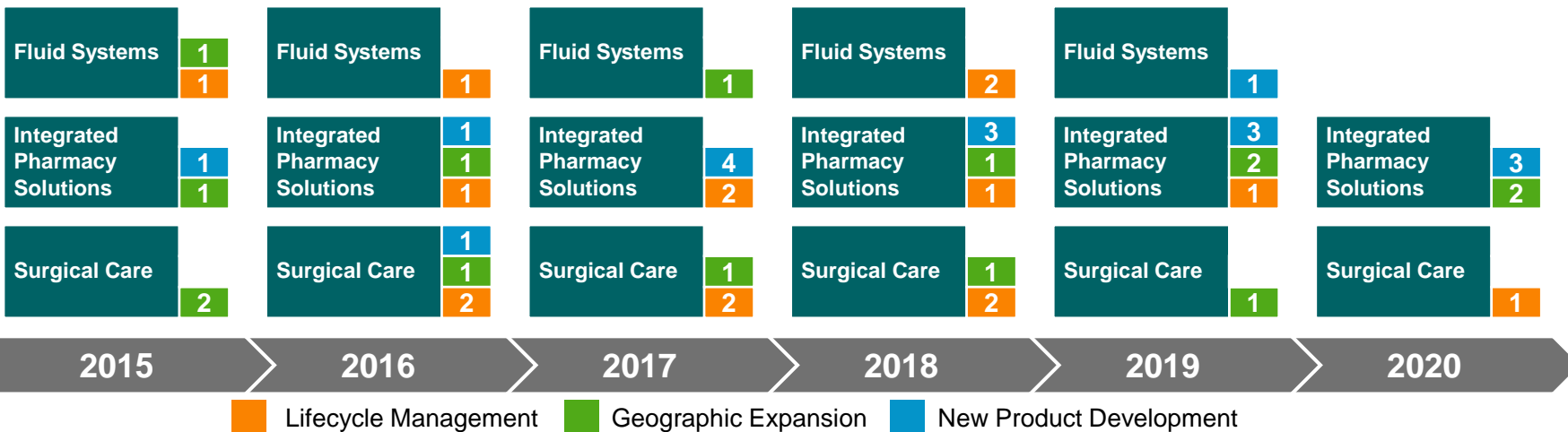
Advancing Our New Product Portfolio

Portfolio And
Innovation
Management

Operational
Excellence

Capital
Allocation

Hospital Products



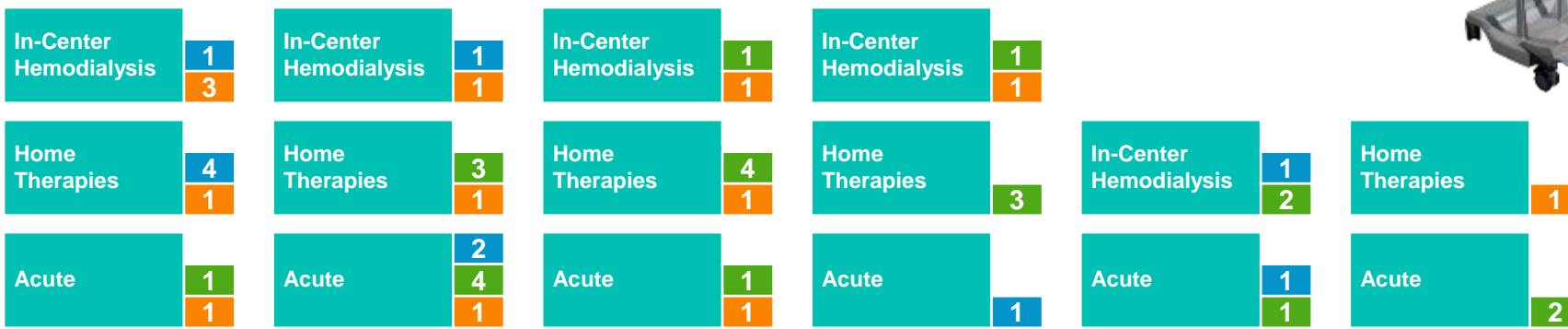
Advancing Our New Product Portfolio

Portfolio And
Innovation
Management

Operational
Excellence

Capital
Allocation

Renal



2015

2016

2017

2018

2019

2020

■ Lifecycle Management
 ■ Geographic Expansion
 ■ New Product Development



Industry Leading Performance

Advancing Three Critical Drivers

Portfolio And
Innovation
Management

Operational
Excellence

Capital
Allocation

**Drive Improved Performance And Value Creation
To Deliver Top Quartile Shareholder Returns**

Optimizing Cost Structure And Enhancing Operational Efficiency

Portfolio And
Innovation
Management

Operational
Excellence

Capital
Allocation



Cost Structure

- Zero-Based Spending, Zero-Based Organization Initiatives Underway
- Centralizing And Streamlining Global Support Functions
- Efforts Being Overseen By Newly Established Business Transformation Office With Accountability For Success



Manufacturing, R&D, Supply Chain

- Optimizing R&D, Manufacturing Footprint
- Capturing Supply Chain Efficiencies
- Streamlining SKUs
- Exiting Products And Geographies With Suboptimal Returns



Balance Sheet

- Utilizing Baxalta Retained Stake To Enhance Cost Structure
 - Retired Indebtedness
 - Reducing Pension Liability and Pension Expense
 - Repurchasing Baxter Shares

➤ **Driving Bottom Line Growth Through Relentless Assessment Of Costs**



Industry Leading Performance

Advancing Three Critical Drivers

Portfolio And
Innovation
Management

Operational
Excellence

Capital
Allocation

**Drive Improved Performance And Value Creation
To Deliver Top Quartile Shareholder Returns**

Executing Disciplined Capital Allocation

Portfolio And
Innovation
Management

Operational
Excellence

Capital
Allocation



Reinvest In Business

Delivering Sustainable Growth, Advancing Innovation And Driving Margin Expansion



Dividends

Targeting Payout Ratio Of ~35% Of Adjusted Net Income; Distributions To Meaningfully Increase With Earnings Growth



Share Repurchases

Opportunistically Returning Value To Shareholders; Balancing With Other Investment Alternatives



M&A

Identifying Accretive Opportunities That Generate Returns Above Targeted Thresholds

Strategic Objectives



- Drive Category Leadership
- Improve Baxter's Weighted Average Market Growth Rate
- Expand Into Strategic Adjacencies From Core Growth Businesses
- Build On Core Strengths – Channel Presence, Geographic Footprint

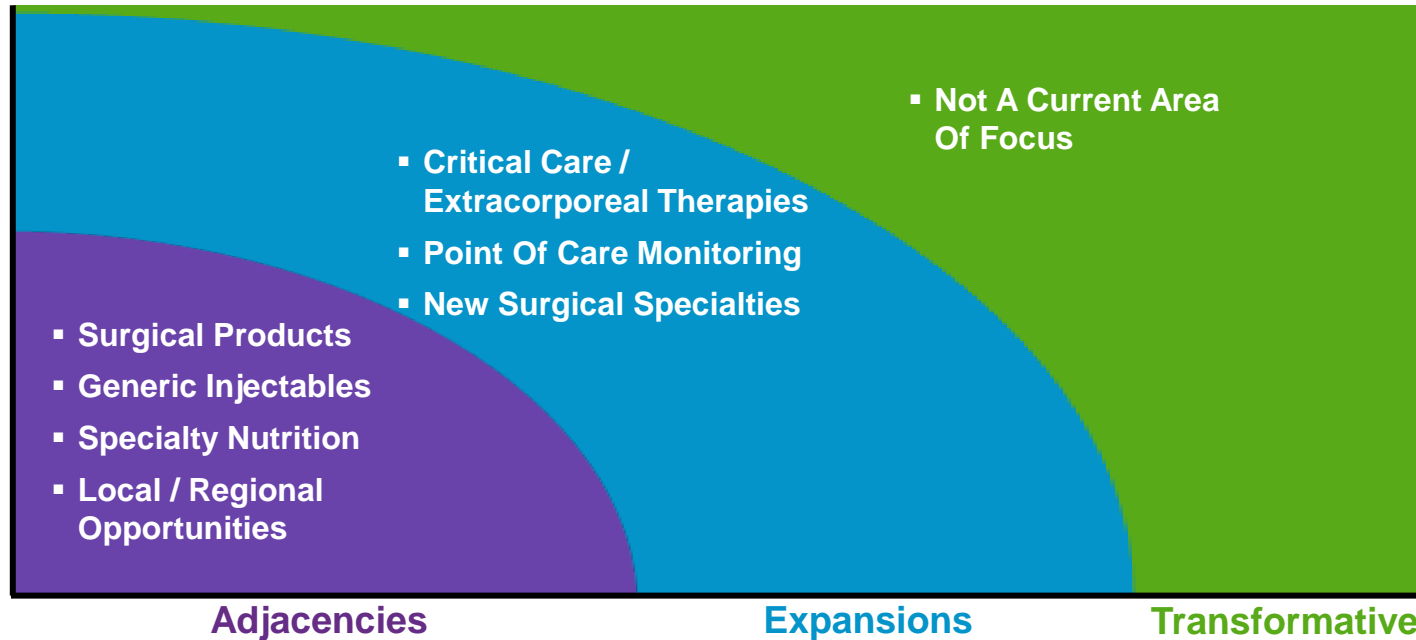
General Financial Guidelines



- Accelerate Top Line Growth And Accretive To Operating Margin
- Accretive To Cash Earnings In Near Term
- Preserve Investment Grade Credit Rating And Financial Flexibility

➤ Executing On M&A Opportunities To Create Value And Enhance Growth

Potential Opportunities



➤ Pursuing A Range Of High-Value Options To Accelerate Profitable Growth

Baxter Looking Forward

- Focused, Market-Leading Product Portfolio
- Leaner, More Efficient Operating Model
- Strengthened Profitability And Returns
- Strong Capital Structure



➤ Executing A Disciplined Strategy To Deliver Top Quartile Shareholder Returns



Baxter

2020



Investor Conference

New York City, New York

May 9, 2016

Baxter