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Baxter Enhances Renal Therapies Portfolio with Acquisition of Gambro

Baxter

Acquisition Expands Baxter's Role as Global Provider of Dialysis Products

Transaction Supports Accelerated Sales and Earnings Growth Over Baxter's Long-Range Financial Plan

Baxter International Inc. has entered into a definitive agreement to acquire Gambro AB, a privately held dialysis product company based in Lund, Sweden, for total consideration of 26.5 billion SEK (approximately \$4.0 billion USD at current exchange rates). Gambro is a global medical technology company focused on developing, manufacturing and supplying dialysis products and therapies for patients with acute or chronic kidney disease. The acquisition gives Baxter a comprehensive dialysis product portfolio, complements Baxter's global home dialysis offerings, and positions the company to better meet the evolving needs of the large and growing dialysis market.

"Baxter has a legacy of innovation in dialysis, including the development of peritoneal dialysis for the treatment of end-stage kidney disease patients in the home. This acquisition further strengthens our global dialysis offerings by extending our portfolio in the hemodialysis segment," said Robert L. Parkinson, Jr., chairman and chief executive officer of Baxter. "This transaction will provide attractive returns and enhance Baxter's sales and earnings growth over the company's current long-range financial plan."

Gambro is a global provider of dialysis products and technologies used in hemodialysis (HD) and continuous renal replacement therapy (CRRT), with annual sales of approximately \$1.6 billion in 2011. Its portfolio in the traditional chronic care segment consists of HD devices including advanced monitors, dialyzers, bloodlines, cyclers and dialysis solutions. Gambro's in-center HD devices include the Artis™ system and the AK 96™ system. In the acute care segment, which includes CRRT and treatment for fluid overload, among others, Gambro offers the Prismaflex® system used for the treatment of critically ill patients with acute kidney injury.

"Both companies have a longstanding heritage in kidney care with innovative technologies and a dedication to saving, sustaining and improving the lives of patients worldwide," said Guido Oelkers, president and chief executive officer of Gambro. "This acquisition responds to the needs of the nephrology community, healthcare

providers and patients seeking a comprehensive dialysis offering of proven products and therapies."

More than two million patients globally are on some form of dialysis, with dialysis treatment rates increasing more than 5 percent annually in part due to the rising rates of diabetes and hypertension. Additionally, healthcare providers are seeking comprehensive dialysis offerings, which vary by region, to serve patients based on clinical need, existing infrastructure and reimbursement policy.

The transaction will provide a number of long-term growth opportunities for Baxter around the world. With a broad and complementary dialysis product portfolio, Baxter can accelerate product sales in established markets such as Europe, where Gambro has an extensive footprint. Baxter can also expand Gambro's reach in high-growth regions of Latin America and Asia-Pacific, where Baxter has steadily grown its peritoneal dialysis (PD) business. In addition, Baxter will also build upon its pipeline of investigational home HD and automated PD systems by adding Gambro's highly innovative and next-generation monitors, dialyzers, devices and dialysis solutions.

Excluding special items, the company expects this transaction to be dilutive to adjusted earnings per diluted share by \$0.10 to \$0.15 in 2013 and neutral to modestly accretive to adjusted earnings per diluted share in 2014. Excluding the impact of special items and estimated amortization of intangible assets, the company expects this transaction to be neutral to adjusted earnings per diluted share in 2013, and accretive in 2014 by \$0.20 to \$0.25 per diluted share. The company expects this transaction to be increasingly accretive to adjusted earnings per diluted share beyond 2014 and, in addition to an array of commercial synergies, projects opportunities for annual cost synergies totaling approximately \$300 million by 2017. Baxter now expects over its five-year long-range financial plan to increase sales (excluding the impact of foreign currency) by 7 to 8 percent and to grow adjusted earnings per diluted share in the 8 to 10 percent range, both on a compounded annual basis.

The transaction will be financed through a combination of cash generated from overseas operations and debt. Baxter expects to maintain its current dividend payout ratio of approximately 40 percent. The closing of the transaction is subject to regulatory approvals and other customary closing conditions and is expected to occur in the first half of 2013.

J.P. Morgan acted as financial advisor and Kirkland & Ellis LLP acted as legal advisor to Baxter.

Source: *Baxter*

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