

January 24, 2018

Dear Valued Baxter Customer:

We wanted to provide you with an update on our continued recovery efforts in Puerto Rico and share with you the actions we've been advancing to help support supply of intravenous (IV) solutions in the United States.

Update on Puerto Rico Operations

Hurricane Maria hit Puerto Rico with devastating effects on September 20, 2017, and complex recovery efforts continue across the island. As previously shared, Baxter activated a global response to the hurricane – to support the needs of patients and healthcare providers in the U.S. and to support our employees on the island – and we continue to make progress on the road to a full recovery of our operations.

All of Baxter's manufacturing sites are now connected to the commercial electric grid and operating at pre-hurricane levels. Our last facility was connected in late December. Reliable and stable electric power is key to our ongoing efforts to restore sustainable manufacturing operations. Baxter has maintained backup diesel generators in all our facilities in Puerto Rico in case of power interruptions, which still occur intermittently, as well as installed backup satellite communications to support plant operations.

Addressing Current Product Supply Demands

In Puerto Rico, Baxter manufactures MINI-BAG and MINI-BAG Plus (small volume parenterals or SVPs) products, which are primarily used in the pharmacy to compound or admix a medication or aid in the delivery of a medication, as well as amino acids and certain premixed products. Restoring reliable supply of these products remains our priority.

To help support product supply for the U.S. market, Baxter activated targeted recovery strategies across our global manufacturing network, including working with FDA to secure regulatory discretion for the temporary special importation of certain products from Baxter facilities in Ireland, Australia, Canada, Mexico, England, Italy and most recently Brazil. Millions of new units of special importation products have been shipped to hundreds of U.S. hospitals since late October and product continues to enter the supply pipeline. As noted before, while these products have helped to support product supply, they do not fully address the gap in demand created by hurricane-impacted production in Puerto Rico and, based on the quantity available, not all U.S. hospital customers will receive them. It's important to note that for those who do receive special importation products, these units are not incremental to total allocations. In addition, Baxter will continue to work with FDA to explore opportunities to leverage other Baxter manufacturing facilities to help support U.S. product demand wherever possible.

Contrary to some media reports, Baxter does not manufacture large volume parenterals (LVPs) in Puerto Rico. While production of LVPs has continued at capacity, market dynamics have greatly impacted the demand for them. Factors ranging from overall industry capacity to an aggressive flu season, as well as the diminished supply of SVPs due to Hurricane Maria, have created a significantly higher demand for LVPs. While we've put in place allocations at 100% of previously purchased quantities for our contracted customers, with the higher demand, we have seen a further strain on available inventory. To help meet customer needs, we are bringing additional LVP units to the U.S. market through a recent permanent approval from the FDA for LVPs produced in one of our manufacturing plants in Mexico.

Recovery Timing

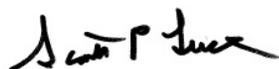
Overall, we are making progress on product supply. We previously shared that we increased the amount of certain SVPs, and last week we increased the allocation of MINI-BAG Plus products available to contracted customers. Please note, it does take time for the product to flow through the supply chain network and inventory levels may vary by location. The increasing product supply is driven by improving production in Puerto Rico and the availability of special importation product. To that end, we expect to return to more normal supply levels for products made in Puerto Rico in the coming weeks, and expect the higher demand for LVPs to subside as the current flu outbreak lessens.

Improving the Customer Service Experience

Finally, to be able to improve responsiveness and provide more timely information to you, we have increased staff in our Center for Service organization dedicated to meeting these needs. Additionally, we continue to make improvements to our eServices Center (www.eservices.baxter.com) which allows customers several self-service options such as placing orders, product availability, allocation inquiries, and more.

You can also visit our website, www.baxterivsolutions.com, which has been enhanced to provide easy access to current information specific to Baxter's IV solutions. And, as always, your local Baxter sales representative is available to provide answers and direction for your questions and concerns. As a leading manufacturer of IV solutions, Baxter remains dedicated to our mission to save and sustain lives by ensuring patients have access to the products and therapies they need. We are resolute in our commitment to continue to do everything in our power to support you as we work through this unprecedented situation together. Thank you for your continued patience.

Sincerely,



Scott P. Luce
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