BAXTER INTERNATIONAL INC
Form 424B5
August 12, 2016
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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Maximum Offering Price Per Unit	Maximum Aggregate Offering Price	Amount of Registration Fee(1)
1.700% Senior Notes due 2021	$400,000,000	99.895%	$399,580,000	$40,237.70
2.600% Senior Notes due 2026	$750,000,000	99.904%	$749,280,000	$75,452.50
3.500% Senior Notes due 2046	$450,000,000	98.464%	$443,088,000	$44,618.96
Total:	$1,600,000,000		$1,591,948,000	$160,309.16

(1) The filing fee of $160,309.16 is calculated in accordance with Rule 457(r) under the Securities Act of 1933.

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Filed Pursuant to Rule 424(b)(5)
Registration Statement No. 333-207810

Prospectus Supplement

(To Prospectus dated November 4, 2015)

$1,600,000,000

Baxter International Inc.

$400,000,000 1.700% Senior Notes due 2021

$750,000,000 2.600% Senior Notes due 2026

$450,000,000 3.500% Senior Notes due 2046

We are offering $400,000,000 aggregate principal amount of 1.700% Senior Notes due 2021 (the 2021 Notes), $750,000,000 aggregate principal amount of 2.600% Senior Notes due 2026 (the 2026 Notes) and $450,000,000 aggregate principal amount of 3.500% Senior Notes due 2046 (the 2046 Notes and, together with the 2021 Notes and the 2026 Notes, the notes).

Interest on the notes is payable semi-annually on February 15 and August 15 of each year, beginning on February 15, 2017. The 2021 Notes will mature on August 15, 2021, the 2026 Notes will mature on August 15, 2026 and the 2046 Notes will mature on August 15, 2046.

We may at our option redeem the notes of any series, at any time, in whole or in part, at the redemption prices described in the section of this prospectus supplement entitled Description of the Notes Optional Redemption. If a change of control triggering event as described in this prospectus supplement occurs, we will be required to offer to purchase the notes from the holders as described in the section of this prospectus supplement entitled Description of the Notes Offer to Purchase Upon Change of Control Triggering Event.

The notes will be our general senior unsecured and unsubordinated obligations and will rank equal in priority with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to any future subordinated indebtedness.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-10 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to Public (1)	**Underwriting Discounts and Commissions**	**Proceeds to Baxter (2)**
1.700% Senior Notes due 2021	99.895%	0.600%	99.295%
Total	$ 399,580,000	$ 2,400,000	$ 397,180,000
2.600% Senior Notes due 2026	99.904%	0.650%	99.254%
Total	$ 749,280,000	$ 4,875,000	$ 744,405,000
3.500% Senior Notes due 2046	98.464%	0.875%	97.589%
Total	$ 443,088,000	$ 3,937,500	$ 439,150,500

(1) Plus accrued interest from August 15, 2016, if settlement occurs after that date.
(2) Before estimated expenses in connection with this offering. See Underwriting (Conflicts of Interest).
Currently, there is no public market for the notes. The notes will not be listed on any national securities exchange or any automated dealer quotation system.

The underwriters expect to deliver the notes in book-entry form through the facilities of The Depository Trust Company and its participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme, on or about August 15, 2016.

Joint Book-Running Managers

Goldman, Sachs & Co. **BofA Merrill Lynch** **Citigroup**

Co-Managers

Academy Securities **Barclays** **Credit Suisse** **Deutsche Bank Securities** **HSBC**
Mizuho Securities **MUFG** **TD Securities** **UBS Investment Bank**

The date of this prospectus supplement is August 10, 2016.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. This prospectus supplement and the information incorporated by reference in this prospectus supplement may add, update or change information contained in the accompanying prospectus. If there is any inconsistency between the information in this prospectus supplement and the information contained in the accompanying prospectus, the information in this prospectus supplement will apply and will supersede any such information in the accompanying prospectus.

Before making a decision to invest in the notes, you should read this entire prospectus supplement, including the section entitled Risk Factors, as well as the accompanying prospectus, any free writing prospectus related to this offering and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus that are described in the section entitled Where You Can Find More Information in the accompanying prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, and the accompanying prospectus, any free writing prospectus related to this offering. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, and the documents incorporated by reference is accurate only as of the respective dates of those documents in which the information is contained. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless we have indicated otherwise, or the context otherwise requires, references to Baxter, we, us, and our in this prospectus supplement and the accompanying prospectus are to Baxter International Inc. and its subsidiaries after giving effect to the separation and distribution of Baxalta Incorporated (Baxalta) on July 1, 2015.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. As a result, it is not complete and does not contain all of the information that may be important to you or that you should consider when making an investment decision with respect to the notes. You should read the following summary in conjunction with the more detailed information contained in this prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference, before making a decision to invest in the notes.

Baxter International Inc.

Baxter International Inc. was incorporated under Delaware law in 1931. Our principal executive offices are located at One Baxter Parkway, Deerfield, Illinois 60015 and our telephone number is (224) 948-2000. We develop, manufacture and market products that save and sustain the lives of people with kidney disease, trauma and other medical conditions. We provide a broad portfolio of essential renal and hospital products, including acute and chronic dialysis; sterile IV solutions; infusion systems and devices; parenteral nutrition; biosurgery products and anesthetics; and pharmacy automation, software and services. Our global footprint and the critical nature of our products and services play a key role in expanding access to healthcare in emerging and developed countries. Our products are used by hospitals, kidney dialysis centers, nursing homes, rehabilitation centers, doctors offices and by patients at home under physician supervision. As of June 30, 2016, we manufactured products in approximately 28 countries and, as of December 31, 2015, sold them in over 100 countries.

On July 1, 2015, we completed the distribution of approximately 80.5% of the outstanding common stock of our biopharmaceuticals business, Baxalta, to Baxter stockholders. The distribution was made to Baxter s stockholders of record as of the close of business on June 17, 2015, who received one share of Baxalta common stock for each Baxter common share held as of such date. As of June 30, 2016, we have completed the distribution of our former 19.5% retained stake in Baxalta, through several retained stake transactions. See Recent Developments below for additional information.

We operate in two segments, each of which is a strategic business that is managed separately because each business develops, manufactures and markets distinct products and services. The Renal business provides products and services to treat end-stage renal disease, or irreversible kidney failure, along with other renal therapies. The Renal business offers a comprehensive portfolio to meet the needs of patients across the treatment continuum, including technologies and therapies for peritoneal dialysis (PD), hemodialysis (HD), continuous renal replacement therapy and additional dialysis services. The Hospital Products business manufactures intravenous (IV) solutions and administration sets, premixed drugs and drug-reconstitution systems, pre-filled vials and syringes for injectable drugs, IV nutrition products, infusion pumps, inhalation anesthetics, and biosurgery products. The Hospital Products business also provides products and services related to pharmacy compounding and drug formulation.

Recent Developments. On January 27, 2016, we completed a debt-for-equity exchange through the transfer of 37,573,040 shares of retained Baxalta common stock for the extinguishment of $1.45 billion aggregate principal amount of indebtedness outstanding under our prior U.S. dollar denominated revolving credit facility, which was terminated in connection with the closing of the exchange. On March 16, 2016, we completed a debt-for-equity exchange, in which we exchanged 63,823,582 shares of retained Baxalta common stock for the extinguishment of $2.2 billion in aggregate principal amount of our indebtedness. On May 6, 2016, we contributed 17,145,570 shares of retained Baxalta common stock to our U.S. pension fund. On May 26, 2016, we completed an equity-for-equity exchange by exchanging 13,360,527 shares of retained Baxalta common stock for 11,526,638 shares of our common stock, after which we held no shares of Baxalta common stock.

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On June 3, 2016, a wholly-owned subsidiary of Shire plc (Shire) merged with and into Baxalta, with Baxalta as the surviving company in the merger and a wholly-owned subsidiary of Shire.

For additional information regarding our business, we refer you to our filings with the SEC that are incorporated by reference into this prospectus supplement and the accompanying prospectus. Please read the section in the accompanying prospectus entitled Where You Can Find More Information.

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The Offering

The following is a summary of the notes and is not intended to be complete. It does not contain all of the information that may be important to you. For a more complete understanding of the notes, please refer to the section entitled Description of the Notes in this prospectus supplement and the section entitled Description of Debt Securities in the accompanying prospectus.

Issuer	Baxter International Inc., a Delaware corporation.
Notes Offered	$400,000,000 aggregate principal amount of 1.700% Senior Notes due 2021.

$750,000,000 aggregate principal amount of 2.600% Senior Notes due 2026.

$450,000,000 aggregate principal amount of 3.500% Senior Notes due 2046.

Maturity	The 2021 Notes will mature on August 15, 2021.

The 2026 Notes will mature on August 15, 2026.

The 2046 Notes will mature on August 15, 2046.

Interest	Interest on the 2021 Notes will accrue at the rate of 1.700% per annum.

Interest on the 2026 Notes will accrue at the rate of 2.600% per annum.

Interest on the 2046 Notes will accrue at the rate of 3.500% per annum.

Interest Payment Dates	Interest on the notes is payable semi-annually on February 15 and August 15 of each year, beginning on February 15, 2017.
Ranking	The notes are senior unsecured and unsubordinated obligations of ours and rank equal in priority with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to any future subordinated indebtedness. See the section of this prospectus supplement entitled Description of the Notes Ranking.
Optional Redemption	We may at our option redeem the notes of any series, at any time, in whole or in part, at the redemption prices described in the section of this prospectus supplement entitled Description of the Notes Optional

	Redemption.
Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, as defined under Description of the Notes Offer to Purchase Upon Change of Control Triggering Event, we will be required to make an offer to repurchase the notes at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest to, but not including, the date of repurchase.
Certain Covenants	The indenture governing the notes contains certain covenants that, among other things, limit our ability and the ability of certain of our subsidiaries to create liens on our assets. These covenants are subject

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	to a number of important limitations and exceptions. See the section in the accompanying prospectus entitled Description of Debt Securities Certain Covenants.
Further Issuances	We reserve the right, from time to time, without the consent of the holders of any series of the notes, to issue additional notes of any such series on terms and conditions substantially identical to those of the notes of such series, so that such additional notes will increase the aggregate principal amount of, and will be consolidated and form a single series with, the notes of such series.
Use of Proceeds	We intend to use approximately $1.1 billion of the net proceeds from the sale of the notes offered hereby to redeem certain of our outstanding senior notes and to pay related fees and expenses, and the remainder for general corporate purposes, including the repayment of commercial paper. See the section of this prospectus supplement entitled Use of Proceeds.
Conflicts of Interest	One or more of the underwriters may have a conflict of interest under Rule 5121(f)(5)(C)(ii) of the Financial Industry Regulatory Authority, Inc. (FINRA) Conduct Rules. See Underwriting (Conflicts of Interest) Conflicts of Interest and Relationships.
Trustee, Registrar and Paying Agent	The Bank of New York Mellon Trust Company, N.A.
Governing Law	The indenture is governed by and the notes will be governed by the laws of the State of New York.
Risk Factors	Before you decide to invest in the notes, you should carefully consider the section entitled Risk Factors beginning on page S-10 as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

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Summary Consolidated Financial and Other Data

The following summary consolidated financial and other data for the two years in the period ending December 31, 2015 has been derived from our audited consolidated financial statements and the related notes. The following summary consolidated financial and other data for the three months and six months ended June 30, 2016 has been derived from our unaudited condensed consolidated financial statements and the related notes. Summary consolidated financial and other data for the twelve month period ended June 30, 2016 has been derived from our audited consolidated financial statements and the related notes for the year ended December 31, 2015 and from our unaudited condensed consolidated financial statements and the related notes for the six months ended June 30, 2015 and June 30, 2016. The unaudited condensed consolidated interim financial statement data has been prepared on a basis consistent with which our audited consolidated financial statements have been prepared, except income taxes for the interim period which are based on the estimated effective tax for the full year. These interim results are not necessarily indicative of results to be expected for the full year.

You should read this table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes and the other financial and statistical information included in our Annual Report on Form 10-K for the year ended December 31, 2015 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016 and June 30, 2016, which are incorporated by reference in this prospectus supplement and the accompanying prospectus. See the section in the accompanying prospectus entitled Where You Can Find More Information for more information regarding documents incorporated by reference herein. The summary consolidated financial and other data provided below does not purport to indicate results of operations as of any future date or for any future period.

	Three Months Ended June 30, 2016 (unaudited)	Six Months Ended June 30, 2016 (unaudited)	Last Twelve Months Ended June 30, 2016 (unaudited)	Years Ended December 31, 2015	Years Ended December 31, 2014
	(Dollars in millions)				
Net sales	$ 2,585	$ 4,960	$ 10,050(2)	$ 9,968	$ 10,719
Operating income	68	256	(3)	(3)	(3)
Net income	(3)	(3)	4,798(4)	968	2,497
Adjusted Operating Income (1)	318	567	(3)	(3)	(3)
Adjusted Operating Margin (1)	12.3%	11.4%	(3)	(3)	(3)
Adjusted EBITDA (1)	(3)	(3)	1,833	1,650	1,641
Adjusted EBITDA Margin (1)	(3)	(3)	18.2%	16.6%	15.3%

(1) Adjusted Operating Income, Adjusted Operating Margin, Adjusted EBITDA and Adjusted EBITDA Margin are financial measures that are not calculated in accordance with generally accepted accounting principles (GAAP). These non-GAAP financial measures exclude special items. Special items are excluded because they are highly variable, difficult to predict or unusual and of a size that may substantially impact our reported operations for a period. Non-GAAP financial measures may provide a more complete understanding of our operations and can facilitate a fuller analysis of our results of operations, particularly in evaluating performance from one period to another. Additionally, intangible asset amortization is excluded as a special item to facilitate an evaluation of current and past operating performance, particularly in terms of cash returns, and is similar to how management internally assesses performance.

Our management believes that non-GAAP 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 our past financial performance. Accordingly, our 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 substitutes for, information prepared in accordance with GAAP.

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We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and caution investors that the non-GAAP measures used by us may differ from similar measures used by other companies, even when similar terms are used to identify such measures. See the section in the accompanying prospectus entitled Where You Can Find More Information for more information regarding documents incorporated by reference herein.

Adjusted Operating Income is calculated as the sum of operating income and certain special items, which special items are described in the table and accompanying footnotes on page S-7. Adjusted Operating Margin is calculated as Adjusted Operating Income divided by net sales. Adjusted EBITDA is calculated as net income as adjusted by certain items, which items are described in the table and accompanying footnotes on page S-8. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by net sales.

(2) Net sales for the last twelve months ended June 30, 2016 is the sum of net sales for the twelve months ended December 31, 2015 and net sales for the six months ended June 30, 2016, less net sales for the six months ended June 30, 2015. For more information regarding net sales for these periods, we refer you to our Annual Report on Form 10-K for the year ended December 31, 2015 and our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2015 and June 30, 2016.

(3) Not presented.

(4) Net income for the last twelve months ended June 30, 2016 is the sum of net income for the twelve months ended December 31, 2015 and net income for the six months ended June 30, 2016, less net income for the six months ended June 30, 2015. For more information regarding net income for these periods, we refer you to our Annual Report on Form 10-K for the year ended December 31, 2015 and our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2015 and June 30, 2016.

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The following table sets forth an unaudited reconciliation of operating income to Adjusted Operating Income:

(Dollars in millions)

Three Months Ended June 30, 2016	
Operating income	$ 68
Impact of special items (1)	250
Adjusted Operating Income (3)	$ 318
Adjusted Operating Margin (3)	*12.3%*

Six Months Ended June 30, 2016	
Operating income	$ 256
Impact of special items (2)	311
Adjusted Operating Income (3)	$ 567
Adjusted Operating Margin (3)	*11.4%*

(1) Special items for the three months ended June 30, 2016 consist of intangible asset amortization expense of $42 million, a $51 million impairment primarily related to developed technology, costs incurred related to the Baxalta separation totaling $18 million and a charge of $139 million related to business optimization initiatives (which included a charge of $103 million related to restructuring activities, $15 million of costs to implement business optimization programs which included external consulting and employee salary and related costs, $14 million of accelerated depreciation associated with facilities to be closed, and $7 million of Gambro integration costs). The $103 million of restructuring activities include $39 million of employee termination costs, $58 million of costs related to the discontinuance of the VIVIA home hemodialysis development program (consisting of contract termination costs of $25 million, asset impairments of $31 million, and other exit costs of $2 million), and $6 million of other exit costs.

(2) Special items for the six months ended June 30, 2016 consist of intangible asset amortization expense of $82 million, a benefit of $12 million related to an adjustment to the SIGMA SPECTRUM infusion pump reserves, a $51 million impairment primarily related to developed technology, costs incurred related to the Baxalta separation totaling $36 million, and a net charge of $154 million related to business optimization initiatives (which included a net charge of $107 million related to restructuring activities, $19 million of costs to implement business optimization programs which included external consulting and employee salary and related costs, $14 million of accelerated depreciation associated with facilities to be closed, and $14 million of Gambro integration costs). The $107 million of restructuring activities included $43 million of employee termination costs, $58 million of costs related to the discontinuance of the VIVIA home hemodialysis development program (consisting of contract termination costs of $25 million, asset impairments of $31 million, and other exit costs of $2 million), and $6

million of other exit costs.

(3) See footnote (1) beginning on page S-5 for the calculation of Adjusted Operating Income and Adjusted Operating Margin.

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The following table sets forth an unaudited reconciliation of net income to Adjusted EBITDA:

(Dollars in millions)

		GAAP Net Income	Income from Discontinued Operations	Income Tax Expense	Net Interest	Depreciation & Amortization	Special Items	Adjusted EBITDA	Net Sales	Adjusted EBITDA Margin(9)
Year Ended December 31,	2014	$ 2,497	($ 2,040)	$ 33	$ 145	$ 792	$ 214 (1)	$ 1,641	$ 10,719	15.3%
First Quarter	2015	$ 430	($ 296)	$ 14	$ 30	$ 187	$ 30 (2)	$ 395		
Second Quarter	2015	332	(258)	34	30	190	(6)(3)	322		
Third Quarter	2015	1	1	(35)	34	217	256 (4)	474		
Fourth Quarter	2015	205	(22)	22	32	165	57 (5)	459		
Year Ended December 31,	2015	$ 968	($ 575)	$ 35	$ 126	$ 759	$ 337	$ 1,650	$ 9,968	16.6%
First Quarter	2016	$ 3,380	$ 7	($ 58)	$ 28	$ 189	($ 3,124)(6)	$ 422		
Second Quarter	2016	1,212		6	11	206	(957)(7)	478		
Six Months Ended June 30,	2016	$ 4,592	$ 7	($ 52)	$ 39	$ 395	($ 4,081)	$ 900	(8)	(8)

(1) Special items for the twelve months ended December 31, 2014 consist of $68 million for product-related item costs, a charge of $1 million in reserve items and adjustments, $3 million in branded prescription drug fees, costs incurred related to the Baxalta separation totaling $11 million, and a net charge of $131 million related to business optimization initiatives (which included a benefit of $13 million related to restructuring activities and $144 million of Gambro integration costs).

(2) Special items for the three months ended March 31, 2015 consist of costs incurred related to the Baxalta separation totaling $12 million and a net charge of $18 million related to business optimization initiatives (which included a benefit of $1 million related to restructuring activities and $19 million of Gambro integration costs).

(3) Special items for the three months ended June 30, 2015 consist of a benefit of $52 million in reserve items and adjustments, costs incurred related to the Baxalta separation totaling $16 million, and a charge of $30 million related to business optimization initiatives (which included a charge of $11 million related to restructuring activities and $19 million of Gambro integration costs).

(4) Special items for the three months ended September 30, 2015 consist of a $18 million product-related item benefit, a $130 million loss on debt extinguishment, costs incurred related to the Baxalta separation totaling $40 million, and a charge of $104 million related to business optimization initiatives (which included a charge of $92 million related to restructuring activities and $12 million of Gambro integration costs).

(5) Special items for the three months ended December 31, 2015 consist of a $10 million product-related item benefit, a $20 million business development item benefit, costs incurred related to the Baxalta separation totaling $39 million, and a charge of $48 million related to business optimization initiatives (which included a charge of $25 million related to restructuring activities and $23 million of Gambro integration costs).

(6) Special items for the three months ended March 31, 2016 consist of a $12 million product-related item benefit, a $101 million loss on debt extinguishment, a $3.243 billion gain on retained shares in Baxalta, costs incurred related to the Baxalta separation totaling $15 million, and a charge of $15 million related to business optimization initiatives (which included a charge of $8 million related to restructuring activities and $7 million of Gambro integration costs).

(7) Special items for the three months ended June 30, 2016 consist of intangible asset impairment expense of $51 million, a $1.148 billion gain on retained shares in Baxalta, costs incurred related to the Baxalta separation totaling $15 million, and a charge of $125 million related to business optimization initiatives (which included a charge of $118 million related to restructuring activities and $7 million of Gambro integration costs).

(8) Not presented. See the table beginning on page S-5 for net sales and Adjusted EBITDA Margin for the periods presented therein.

(9) See footnote (1) beginning on page S-5 for the calculation of Adjusted EBITDA Margin.

Ratio of Earnings to Fixed Charges

The following table sets forth our ratios of earnings to fixed charges for each of the last five years and the six months ended June 30, 2016:

	Six Months Ended June 30, 2016	Years Ended December 31, 2015	2014	2013	2012	2011
Ratio of earnings to fixed charges	52.39x	2.41x	2.25x	2.03x	3.81x	3.42x

See the section of this prospectus supplement entitled Ratio of Earnings to Fixed Charges.

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