



Rating Action: Moody's assigns A3 to Baxter's new notes; outlook stable

Global Credit Research - 04 Mar 2010

New \$600 million offering

New York, March 04, 2010 -- Moody's Investors Service assigned an A3 rating to Baxter International's new \$600 million note offering. At the same time, Moody's affirmed the company's existing ratings and the stable outlook. Moody's understands that proceeds will be used for general corporate purposes.

Baxter's A3 rating reflects the company's position as one of the nation's largest medical products companies, with franchise strength in a diverse group of products focused on critical care treatment. Baxter's bioscience division continues to be a significant contributor to profitability, but as pricing for plasma products flattens, double-digit growth rates are expected to fall closer in line with the company's targeted organic growth rates of 6-8%. In turn, the company's renal and medication delivery divisions, with historically softer trends, should benefit from the recent introduction of new internally-developed or acquired products.

The stable outlook incorporates our expectation that Baxter will achieve improvement in its cash flow to debt measures despite higher gross debt levels at FYE 2009 compared to FYE 2008 as well as relatively high dividends and capital expenditures. Although this transaction does represent incremental debt, we anticipate that \$500 million of FINCO debt will be paid down with overseas balance sheet cash when it matures later this year.

Rating assigned:

Baxter International

A3 \$600 million senior notes, due in 2020 and 2013

Ratings affirmed:

Baxter International

A3 senior notes

(P)A3 senior shelf

Prime-2 short-term rating

Baxter FINCO, B.V.

A3 senior unsecured notes

The last rating action on Baxter was taken on August 17, 2009, when Moody's assigned ratings to the company's new bond offering.

The principal methodology used in rating Baxter was Moody's Global Medical Products & Device Industry methodology, published in October 2009 and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Baxter International Inc, headquartered in Deerfield, Illinois, manufactures products assisting patients with complex medical conditions including cancer, hemophilia and kidney disease.

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