

HAEMONETICS®

Haemonetics Reports Adjusted Earnings per Share of \$0.74 for Q1 of Fiscal 11 Company Affirms Full Year Guidance

August 2, 2010

BRAINTREE, Mass., Aug 02, 2010 /PRNewswire via COMTEX/ -- Haemonetics Corporation (NYSE: HAE) today reported GAAP net revenues of \$163 million, up 6%, net income of \$18 million, down 1%, and earnings per share of \$0.70, up 1%. Excluding transformation costs in fiscal 11, adjusted first quarter net income was \$19 million, up 5%, and adjusted earnings per share was \$0.74, up 7%. In constant currency, revenue was up 8%, adjusted net income was up 30% and adjusted earnings per share were up 32%. (1)

As expected, the quarterly growth in both revenue and net income were adversely impacted by trends in both foreign currency hedge rates and Q1 plasma growth rates. The Company expects the currency headwinds to moderate and plasma growth to accelerate throughout the remainder of the year. The adverse impact of currency on net income growth in the first quarter was \$2.9 million. Based on currency hedges in place for the remainder of the year, the full year adverse impact of currency on net income growth is currently expected to moderate to \$1.3 million. Plasma, which is expected to grow 6-8% for the full year, declined 5% in the quarter when compared to particularly strong growth in Q1 of fiscal 10. (1)

In addition to revenue and earnings growth, Haemonetics reported adjusted gross margin of 53%, up 70 basis points, and adjusted operating margin of 15.9%, down 70 basis points from the fiscal 10 finish. Annual operating income guidance, which reflects full year hedged currency trends, calls for double digit operating income growth for the year. The Company managed adjusted operating expenses to \$60.5 million, up \$3.9 million from levels in Q1 of fiscal 10. Incremental spending is associated with the Company's recent acquisitions, (\$3 million) and its automated whole blood and Arryx blood typing initiatives. (1)

Brian Concannon, Haemonetics' President and CEO, said, "We are off to a solid start in fiscal 11 posting top and bottom line growth while dealing with anticipated Q1 headwinds in plasma growth rates and currency. As currency headwinds moderate and Plasma accelerates we will see favorable trends in the last three quarters that give us confidence about achieving our commitments for the year."

The Company affirmed its full year guidance of 9-12% revenue growth, adjusted operating income growth of 11-14%, and adjusted earnings per share in a range of \$3.15 to \$3.25.(1)

STRATEGIC AND SEGMENT GROWTH HIGHLIGHTS

Haemonetics continues to make progress expanding its business. The Company reported the following highlights:

- A recently signed agreement with Consorta, a Group Purchasing Organization which represents 11 Integrated Delivery Network shareholders with 260 acute care hospitals and an additional 270 affiliated acute care facilities, to provide IMPACT(TM) Online, the Company's web based portal that enables blood management analysis and decision making. The agreement will allow Haemonetics to target specific members of Consorta's network that will leverage the scalability and simplicity of IMPACT Online as a key component of the hospitals' approach to blood management.
- Enabled by Haemonetics BloodTrack(R) HaemoSafe, the Puget Sound Blood Center and Overlake Hospital Medical Center announced their partnership to launch a new blood distribution system. This is a unique collaboration between a blood center and hospital, designed to improve the availability and access to blood components.
- 24 new IMPACT customers in Q1 fiscal 11 bringing the total number of IMPACT customers to 90, driving acceleration in key product lines evidenced by a 24% Q1 growth rate for TEG(R) disposables.
- The Global Med acquisition integration is proceeding well against the planned schedule and budget.
- During Q1, Haemonetics completed its planned \$50 million share repurchase acquiring approximately 900,000 shares.

Mr. Concannon added "We have also made excellent progress against our goals for blood management with 90 IMPACT accounts by the end of the first quarter and more recently the signing of a system wide agreement for blood management with Consorta. Our value proposition is taking hold in the markets we serve and represents a strong catalyst for growth this fiscal year. Combine continued growth from IMPACT selling, with currency moderation and Plasma acceleration, and you can see why I remain very confident about achieving our current guidance"

As noted, Haemonetics' first quarter fiscal 11 reported revenues were \$163 million, up 6%. Excluding the effects of currency, revenues grew 8%. Reported revenues break down as follows:

Plasma disposables revenue was \$55.9 million for the quarter, down 5%. Haemonetics' plasma business declined in the first quarter when compared to a strong Q1 of fiscal 10 as anticipated. Haemonetics expects its plasma business to return to low single digit growth in Q2, ramping to low double digit growth in the second half of the year.

Platelet disposables revenue was \$36.3 million for the quarter, up 6%. The platelet business benefited from strong sales in Asia and a recovery in our distribution markets in Europe and Latin America.

Red cell disposables revenue was \$11.3 million for the quarter, down 4%. Revenue declined due to decreased demand for red cells as a result of declining demand for blood.

Surgical disposables revenue was \$16.4 million for the quarter, down 6%. The surgical business was adversely impacted by trends in currency spot rates.

OrthoPAT(R) orthopedic perioperative autotransfusion system disposables revenue was \$9 million for the quarter, up 4%. The Company continues to

make progress advancing OrthoPAT system sales in IMPACT accounts.

Diagnostic disposables revenue was \$4.7 million for the quarter, up 24%. Revenues related to the TEG Thrombelastograph(R) Hemostasis Analyzer business are accelerating driven by the Company's IMPACT accounts.

Software Solutions revenue was \$16.5 million for the quarter, up 95%. Software Solutions growth was primarily impacted by our Global Med acquisition. Underlying organic growth of our core software business was 9% in the first quarter.

Equipment revenue was \$13 million for the quarter, up 20%. Equipment growth was impacted by the SEBRA(R) acquisition. Organic equipment growth in the quarter was 5%.

Haemonetics reported growth in all geographies for the quarter, with North American sales up 6%, European sales up 2%, Japanese sales up 2%, and Asian sales up 30%.

CONFERENCE CALL

Haemonetics will host a webcast on Monday, August 2nd at 10:00 am Eastern to discuss these results. Interested parties can participate at <http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=72118&eventID=3186588>

Haemonetics (NYSE: HAE) is a global healthcare company dedicated to providing innovative blood management solutions for our customers. Together, our devices and consumables, information technology platforms, and consulting services deliver a suite of business solutions to help our customers improve clinical outcomes and reduce the cost of healthcare for blood collectors, hospitals, and patients around the world. Our technologies address important medical markets: blood and plasma component collection, the surgical suite, and hospital transfusion services. To learn more about Haemonetics, visit our web site at <http://www.haemonetics.com/>.

This release contains forward-looking statements that involve risks and uncertainties, including technological advances in the medical field and standards for transfusion medicine and our ability to successfully implement products that incorporate such advances and standards, product demand, market acceptance, regulatory uncertainties, the effect of economic and political conditions, the impact of competitive products and pricing, blood product reimbursement policies and practices, foreign currency exchange rates, changes in customers' ordering patterns, the effect of industry consolidation as seen in the plasma market, the effect of communicable diseases and the effect of uncertainties in markets outside the U.S. (including Europe and Asia) in which we operate and other risks detailed in the Company's filings with the Securities and Exchange Commission. The foregoing list should not be construed as exhaustive. The forward-looking statements are based on estimates and assumptions made by management of the Company and are believed to be reasonable, though are inherently uncertain and difficult to predict. Actual results and experience could differ materially from the forward-looking statements.

(1) A reconciliation of GAAP to adjusted and constant currency financial results is included at the end of the financial sections of this press release as well as on the web at <http://www.haemonetics.com/site/content/investor/investor.asp>. In the first quarter of fiscal 11, Haemonetics incurred \$1.7 million in pre-tax restructuring costs. Haemonetics incurred no restructuring costs in the first quarter of fiscal 10.

Haemonetics Corporation Financial Summary (Unaudited data in thousands, except per share data)

Consolidated Statements of Income for the First Quarter FY11

| | 7/3/2010 | 6/27/2009 | % Inc/(Dec) |
|--------------------------------|-----------|-----------|-------------|
| | As | As | vs Prior |
| | Reported | Reported | Year |
| | ----- | ----- | ----- |
| NET REVENUES | \$163,039 | \$154,087 | 5.8% |
| Gross profit | 86,463 | 82,943 | 4.2% |
| R&D | 7,920 | 6,777 | 16.9% |
| S,G&A | 54,354 | 49,839 | 9.1% |
| Operating expenses | 62,274 | 56,616 | 10.0% |
| | ----- | ----- | |
| Operating income | 24,189 | 26,327 | (8.1%) |
| Interest expense | (153) | (214) | (28.5%) |
| Interest income | 102 | 157 | (35.0%) |
| Other (expense)/income, net | 237 | (335) | (170.6%) |
| | --- | --- | |
| Income before taxes | 24,375 | 25,935 | (6.0%) |
| Tax expense | 6,457 | 7,862 | (17.9%) |

| | | | |
|---|----------|----------|--|
| NET INCOME | \$17,918 | \$18,073 | (0.9%) |
| | ===== | ===== | |
| Net income per common share assuming dilution | \$0.70 | \$0.69 | 1.0% |
| Weighted average number of shares | | | |
| Basic | 25,140 | 25,658 | |
| Diluted | 25,703 | 26,201 | |
| Profit Margins: | | | Inc/(Dec) vs prior year profit margin % ----- |
| Gross profit | 53.0% | 53.8% | (0.8%) |
| R&D | 4.9% | 4.4% | 0.5% |
| S,G&A | 33.3% | 32.3% | 1.0% |
| Operating income | 14.8% | 17.1% | (2.2%) |
| Income before taxes | 15.0% | 16.8% | (1.9%) |
| Net income | 11.0% | 11.7% | (0.7%) |

Revenue Analysis for the First Quarter and Year-To-Date FY11

| | 7/3/2010 | 6/27/2009 | % Inc/(Dec) |
|------------------------|-----------|-----------|-------------|
| | As | As | vs |
| | Reported | Reported | Prior Year |
| | ----- | ----- | ----- |
| Revenues by geography | | | |
| United States | \$79,309 | \$75,013 | 5.7% |
| International | \$83,730 | \$79,074 | 5.9% |
| Net revenues | \$163,039 | \$154,087 | 5.8% |
| | ===== | ===== | |
| Disposable revenues | | | |
| Plasma disposables | \$55,918 | \$58,868 | (5.0%) |
| Blood bank disposables | | | |
| Platelet | \$36,317 | \$34,306 | 5.9% |
| Red cell | \$11,314 | \$11,779 | (3.9%) |
| | \$47,631 | \$46,085 | 3.4% |
| | ----- | ----- | |
| Hospital disposables | | | |
| Surgical | \$16,351 | \$17,425 | (6.2%) |
| OrthoPAT | \$8,957 | \$8,584 | 4.3% |
| Diagnostics | \$4,708 | \$3,811 | 23.5% |
| | \$30,016 | \$29,820 | 0.7% |
| | ----- | ----- | |
| Subtotal | \$133,565 | \$134,773 | (0.9%) |
| Software solutions | \$16,453 | \$8,454 | 94.6% |
| Equipment & other | \$13,021 | \$10,860 | 19.9% |
| Net revenues | \$163,039 | \$154,087 | 5.8% |

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Consolidated Balance Sheets

| | Period ending | |
|-----------------------------|---------------|-----------|
| | 7/3/10 | 4/3/10 |
| | ----- | ----- |
| Assets | | |
| ----- | | |
| Cash & cash equivalents | \$83,467 | \$141,562 |
| Accounts receivable, net | 114,834 | 118,684 |
| Inventories, net | 84,571 | 79,953 |
| Other current assets | 40,674 | 45,944 |
| | ----- | ----- |
| Total current assets | 323,546 | 386,143 |
| Net PP&E | 157,365 | 153,298 |
| Other assets | 213,253 | 221,219 |
| | ----- | ----- |
| Total assets | \$694,164 | \$760,660 |
| | ===== | ===== |

| | Period ending | |
|---------------------------------------|---------------|-----------|
| | 7/3/10 | 4/3/10 |
| | ----- | ----- |
| Liabilities & Stockholders' Equity | | |
| ----- | | |
| S/T debt & current maturities | \$6,418 | \$16,062 |
| Other current liabilities | 96,270 | 120,435 |
| | ----- | ----- |
| Total current liabilities | 102,688 | 136,497 |
| Long-term debt | 4,384 | 4,589 |
| Other long-term liabilities | 22,136 | 26,450 |
| Stockholders' equity | 564,956 | 593,124 |
| | ----- | ----- |
| Total liabilities & equity | \$694,164 | \$760,660 |
| | ===== | ===== |

Free Cash Flow Reconciliation

Three Months
Ended

| | 7/3/10 | 6/27/09 |
|--|-----------|----------|
| | ----- | ----- |
| GAAP cash flow from operations | \$13,556 | \$25,706 |
| | ----- | ----- |
| Capital expenditures | (15,224) | (21,204) |
| Proceeds from sale of property, plant and equipment | 111 | 201 |
| Net investment in property, plant and equipment | (15,113) | (21,003) |
| | ----- | ----- |
| Free cash flow after transformation and deal costs | (\$1,557) | \$4,703 |
| Transformation and deal costs | 4,058 | - |
| Global Med employment contracts | 2,122 | - |
| | 6,180 | - |
| | ----- | --- |
| Free cash flow before transformation and deal costs | \$4,623 | \$4,703 |
| | ===== | ===== |

Haemonetics Corporation Financial Summary
Reconciliation of Non-GAAP Measures

Haemonetics has presented supplemental non-GAAP financial measures as part of this earnings release. A reconciliation is provided below that reconciles each non-GAAP financial measure with the most comparable GAAP measure. The presentation of non-GAAP financial measures should not be considered in isolation from, or as a substitute for, the most directly comparable GAAP measures. There are material limitations to the usefulness of non-GAAP measures on a standalone basis, including the lack of comparability to the GAAP financial results of other companies.

These measures are used by management to monitor the financial performance of the business, inform business decision making, and forecast future results. Performance targets for management are established based upon these non-GAAP measures. In the reconciliations below, we have removed restructuring and deal integration costs from our GAAP expenses. Our restructuring is related to the integration of Global Med Technologies and the repositioning of our sales force. We believe this information is useful for investors because it allows for an evaluation of the Company with a focus on the performance of our core operations.

Non-GAAP Gross Profit

The use of these non-GAAP measures allows management to monitor the level of total gross profits without the costs of our business transformation. We establish our budgets, forecasts, and performance targets on this basis.

Non-GAAP S,G&A and Non-GAAP Operating Expenses

The use of this non-GAAP measure allows management to monitor the ongoing level of spend that is necessary to support the business in a period when we are not transforming our business or completing an acquisition of in-process research and development. We establish our budgets, forecasts, and performance targets excluding these costs.

Non-GAAP Operating Income and Non-GAAP Income before Income Taxes
The use of these non-GAAP measures allows management to monitor the level of operating and total pre-tax profits without the costs of our business transformation. We establish our budgets, forecasts, and performance targets on this basis.

Non-GAAP Net Income and Earnings per Share
The use of these non-GAAP measures allows management to monitor the level of net income and earnings per share excluding both the costs of our business transformation, as well as any related tax effects. We establish our budgets, forecasts, and performance targets on this basis.

Reconciliation of Non-GAAP Measures for the First Quarter of FY11 and FY10

| | 07/03/10 | 06/27/09 |
|--|----------|----------|
| | ----- | ----- |
| Non-GAAP gross profit | | |
| GAAP gross profit | \$86,463 | \$82,943 |
| Restructuring costs | - | - |
| Non-GAAP gross profit | \$86,463 | \$82,943 |
| | ===== | ===== |
| Non-GAAP S,G&A | | |
| GAAP S,G&A | \$54,354 | \$49,839 |
| Restructuring and deal integration costs | (1,743) | - |
| Non-GAAP S,G&A | \$52,611 | \$49,839 |
| | ===== | ===== |
| Non-GAAP operating expenses | | |
| GAAP operating expenses | \$62,274 | \$56,616 |
| Restructuring and deal integration costs | (1,743) | - |
| Non-GAAP operating expenses | \$60,531 | \$56,616 |
| | ===== | ===== |
| Non-GAAP operating income | | |
| GAAP operating income | \$24,189 | \$26,327 |
| Restructuring and deal integration costs | 1,743 | - |
| Non-GAAP operating income | \$25,932 | \$26,327 |
| | ===== | ===== |
| Non-GAAP income before taxes | | |
| GAAP income before taxes | \$24,375 | \$25,935 |
| Restructuring and deal integration costs | 1,743 | 0 |
| Non-GAAP income before taxes | \$26,118 | \$25,935 |
| | ===== | ===== |

| | | |
|--|----------|----------|
| Non-GAAP net income | | |
| GAAP net income | \$17,918 | \$18,073 |
| Restructuring and deal integration costs | 1,743 | 0 |
| Tax benefit associated with non-GAAP items | (600) | - |
| Non-GAAP net income | \$19,061 | \$18,073 |
| | ===== | ===== |

| | | |
|---|--------|--------|
| Non-GAAP net income per common share assuming dilution | | |
| GAAP net income per common share assuming dilution | \$0.70 | \$0.69 |
| Non-GAAP items after tax per common share assuming dilution | 0.04 | - |
| Non-GAAP net income per common share assuming dilution | \$0.74 | \$0.69 |
| | ===== | ===== |

Presented below are additional Constant Currency performance measures. We measure different components of our business at constant currency.

We believe this information is useful for investors because it allows for an evaluation of the Company without the effect of changes in foreign exchange rates. These results convert our local foreign currency operating results to the US Dollar at constant exchange rates of \$1.20 per Euro, and 110 Yen to the \$1.00. They also exclude the results of our foreign currency hedging program described in Note 7 to our consolidated financial statements in our Form 10-K.

| | | |
|--------------------------------------|-----------|-----------|
| Non-GAAP revenues | | |
| GAAP revenue | \$163,039 | \$154,087 |
| Foreign currency effects | (6,683) | (9,600) |
| Non-GAAP revenue - constant currency | \$156,356 | \$144,487 |
| | ===== | ===== |

| | | |
|--|----------|----------|
| Non-GAAP net income | | |
| Non-GAAP net income, adjusted for restructuring and deal integration costs | \$19,061 | \$18,073 |
| Foreign currency effects | (3,251) | (7,516) |
| Income tax associated with foreign currency effects | 878 | 2,277 |
| Non-GAAP net income - constant currency | \$16,688 | \$12,834 |
| | ===== | ===== |

| | | |
|---|--------|--------|
| Non-GAAP net income per common share assuming dilution | | |
| Non-GAAP net income per common share assuming dilution, adjusted for restructuring and deal integration costs | \$0.74 | \$0.69 |
| Foreign currency effects after tax per common share assuming dilution | (0.09) | (0.20) |
| Non-GAAP net income per common share assuming dilution - constant currency | \$0.65 | \$0.49 |
| | ===== | ===== |

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SOURCE Haemonetics Corporation