Patient Safety Technologies Reports 1Q 2013 Results

Patient Safety Technologies, Inc. today announced results for its first quarter ended March 31st, 2013.

Expanded Customer Base and Financial Highlights

During the first quarter of 2013 the Company grew its installed customer base of facilities using its SurgiCount Safety-Sponge® System to 282. This compares to 149 facilities as of the end of the first quarter of 2012 and represents year over year growth in the Company's installed customer base of 53%. Additionally, as of the date of this release the Company has implemented or signed contracts and scheduled implementations for additional facilities, collectively growing the number of facilities currently installed and those with signed agreements and scheduled implementations to over 300. Although not necessarily proportional to reported revenues, the number of facilities using the Company's products is a good indicator of our underlying business.

Total revenue for the first quarter of 2013 was $4.8 million, representing year over year growth of 53% as compared to total revenue of $3.1 million for the first quarter of 2012. The higher revenue for the first quarter of 2013 as compared to the same period in 2012 was primarily related to the larger customer installed base during the first quarter of 2013. Despite a continually growing customer base using the Company's products, revenue for the first quarter of 2013 was lower on a quarter over quarter basis as compared to the fourth quarter of 2012 as a result of lower orders from the Company's exclusive distributor, which was the result of a number of factors including the inventory management practices of our exclusive distributor, along with the switching of distributors selected by several larger existing users of the Company's products and the timing of the orders placed by those newly selected distributors.

Reported GAAP gross margins were 39% for the first quarter of 2013 as compared to 40% for the same period in 2012. Because the Company's reported GAAP cost of revenues includes certain non-cash depreciation expense, there can be a significant difference between reported gross margins and the actual cash gross margins realized by the Company. Excluding non-cash depreciation expense included in reported cost of revenues, Cash Gross Margins were 50% for the first quarter of 2013 as compared to 48% for the same period in 2012. Reported GAAP gross margins were lower during the first quarter of 2013 as compared to the prior year period primarily as the result of higher non-cash depreciation expense associated with the greater amount of newly installed hardware during that time period to support the growth in the Company's customer base. Cash Gross Margins were higher during the first quarter of 2013 as compared to the prior year period primarily as a result of the Company's efforts to further improve cost inputs and

manufacturing efficiencies of its disposable products.

Reported operating expenses for the first quarter of 2013 were $2.5 million, in-line with reported operating expenses of $2.5 million for the first quarter of 2012. The primary reasons for the relatively unchanged level of operating expenses during the first quarter of 2013 as compared to the same period in 2012 despite the larger customer installed base and reported revenues were lower one-time implementation expenses offset by higher employment related expenses.

During the first quarter of 2013 the Company generated a GAAP Operating Loss of $0.6 million and Adjusted Operating Income (as defined below) of $0.2 million. This compares with a GAAP Operating Loss of $1.3 million and an Adjusted Operating Loss of $0.7 million during the first quarter of 2012. The primary reasons for the lower reported GAAP Operating Loss and the positive Adjusted Operating Income during the first quarter of 2013 was the higher reported revenues from a larger installed customer base and substantially flat operating expenses.

"We are pleased to have continued to grow our installed base during the first quarter and to have surpassed the 300 customer milestone," stated Brian E. Stewart, President and Chief Executive Officer of Patient Safety Technologies, Inc. "With the ever growing awareness by patients, healthcare providers and payers of healthcare services of the occurrence rate, and ramifications from retained surgical sponges, we believe we are well positioned to continue to accelerate our adoption momentum," continued Mr. Stewart.

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