FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Quarterly Report Under Section 13 or 15(d) of the Securities and Exchange Act of 1934

For the quarter ended: December 29, 2001 Commission File Number: 1-10730

HAEMONETICS CORPORATION
(Exact name of registrant as specified in its charter)

Massachusetts	04-2882273
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

400 Wood Road, Braintree, MA 02184
(Address of principal executive offices)

Registrant's telephone number, including area code: (781) 848-7100

Indicate by check mark whether the registrant (1.) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) (2.) has been subject to the filing requirements for at least the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

26,482,051 shares of Common Stock, $ .01 par value, as of
December 29, 2001

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HAEMONETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited - in thousands, except share data)

	Three Months Ended		Nine Months Ended	
	Dec. 29, 2001	Dec. 30, 2000	Dec. 29, 2001	Dec. 30, 2000
Net revenues	$84,411	$76,238	$240,916	$217,446
Cost of goods sold	43,176	37,219	123,569	111,560
Gross profit	41,235	39,019	117,347	105,886
Operating expenses:				
Research and development	15,146	5,205	24,948	13,639
Selling, general and administrative	23,283	22,847	67,107	64,705
In process research and development (Note 10)				18,606
Other unusual charges (Note 10)				4,614
Total operating expenses	38,429	28,052	92,055	101,564
Operating income	2,806	10,967	25,292	4,322
Interest expense	(895)	(859)	(2,858)	(2,728)
Interest income	1,002	999	3,179	3,307
Other income, net	463	959	2,191	2,609
Income before provision for income taxes	3,376	12,066	27,804	7,510
Provision for income taxes	944	3,103	7,784	7,440
Income before cumulative effect of change in accounting principle	$ 2,432	$ 8,963	$ 20,020	$ 70
Cumulative effect of change in accounting principle, net of tax			2,304	0
Net income	$ 2,432	$ 8,963	$ 22,324	$ 70
Basic income per common share				
Income before cumulative effect of change in accounting principle	$ 0.09	$ 0.35	$ 0.76	$ 0.00
Cumulative effect of change in accounting principle, net of tax	-	-	0.09	-
Net income	$ 0.09	$ 0.35	$ 0.85	$ 0.00
Diluted income per common share				
Income before cumulative effect of change in accounting principle	$ 0.09	$ 0.35	$ 0.73	$ 0.00
Cumulative effect of change in accounting principle, net of tax			0.08	
Net income	$ 0.09	$ 0.34	$ 0.82	$ 0.00
Weighted average shares outstanding				
Basic	26,445	25,259	26,237	25,213
Diluted	27,525	25,991	27,240	25,820

The accompanying notes are an integral part of these consolidated financial statements.

HAEMONETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited - in thousands, except share data)

ASSETS	Dec. 29, 2001	March 31, 2001
Current assets:		
Cash and short term investments	$ 52,900	$ 41,441
Available for sale investments	46,538	33,042
Accounts receivable, less allowance of $1,382 at December 29, 2001 and $1,233 at March 31, 2001	64,115	59,842
Inventories	63,289	54,007
Current investment in sales type leases, net	4,246	5,680
Deferred tax asset	17,815	19,982
Prepaid and other current assets	12,729	5,170
Total current assets	261,632	219,164
Property, plant and equipment	212,945	197,071
Less accumulated depreciation	129,245	113,820
Net property, plant and equipment	83,700	83,251
Other assets:		
Investment in sales type leases, net	2,782	5,391
Other intangibles, less accumulated amortization of $1,535 at December 29, 2001 and $599 at March 31, 2001	18,377	19,107
Goodwill, less accumulated amortization of $8,248 at December 29, 2001 and $7,827 at March 31, 2001	12,063	14,426
Deferred tax asset	8,489	1,737
Other long term assets	1,957	2,238
Total other assets	43,668	42,899
Total assets	$389,000	$345,314
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current maturities of long term debt	34,220	22,438
Accounts payable	12,054	13,350
Accrued payroll and related costs	11,693	10,072
Accrued income taxes	14,888	14,791
Other accrued liabilities	16,144	18,796
Total current liabilities	88,999	79,447
Long term debt, net of current maturities	41,137	47,281
Other long term liabilities	2,998	3,070
Stockholders' equity:		
Common stock, $.01 par value; Authorized - 80,000,000 shares; Issued 31,399,194 shares at December 29, 2001; 30,721,723 shares at March 31, 2001	314	307
Additional paid in capital	103,077	87,958
Retained earnings	256,781	234,325
Other comprehensive loss	(15,271)	(17,618)
Stockholders' equity before treasury stock	344,901	304,972
Less: treasury stock 4,917,143 shares at cost at December 29, 2001 and 4,940,390 shares at cost at March 31, 2001	89,035	89,456
Total stockholders' equity	255,866	215,516
Total liabilities and stockholders' equity	$389,000	$345,314

The accompanying notes are an integral part of these consolidated financial statements.

HAEMONETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited - in thousands)

	Common Stock Shares	Common Stock $	Additional Paid in Capital	Treasury Stock	Retained Earnings	Other Comprehensive Income(loss)	Total Stockholders' Equity	Comprehensive Income (loss)
Balance, March 31, 2001	30,722	$307	$ 87,958	$(89,456)	$234,325	$(17,618)	$215,516	
Employee stock purchase plan				421	132		553	
Exercise of stock options and related tax benefit	678	7	15,119				15,126	
Net income					22,324		22,324	$22,324
Foreign currency translation adjustment						(821)	(821)	(821)
Unrealized gain on derivatives						3,168	3,168	3,168
Comprehensive income	---	---	---	---	---	---	---	$24,671
Balance, December 29, 2001	31,400	$314	$103,077	$(89,035)	$256,781	$(15,271)	$255,866	

The accompanying notes are an integral part of these consolidated financial statements.

HAEMONETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited- in thousands)

	Nine Months Ended	
	Dec. 29, 2001	Dec. 30, 2000
Cash Flows from Operating Activities:		
Net income	$ 22,324	$ 70
Adjustments to reconcile net income to net cash provided by operating activities:		
Non cash items:		
Cumulative effect of change in accounting principle, net of tax	(2,304)	
Depreciation and amortization	19,226	18,006
Deferred tax expense	(4,503)	(161)
In process research and development (Note 10)	---	18,606
Equity in losses of investment (Note 10)		1,353
Other unusual non cash charges (Note 10)		1,282
Realized gain from exchange rate fluctuations	(360)	
Change in operating assets and liabilities:		
Increase in accounts receivable - net	(5,526)	(1,821)
(Increase) decrease in inventories	(13,348)	1,662
Decrease in sales-type leases (current)	1,421	1,681
Increase in prepaid income taxes	(1,201)	(1,224)
Decrease in other assets	1,329	212
Decrease in accounts payable, accrued expenses and other current liabilities	(1,936)	(5,496)
Net cash provided by operating activities	15,122	34,170
Cash Flows from Investing Activities:		
Purchases of available for sale investments, net of maturities	(71,274)	(40,847)
Gross proceeds from sale of available for sale investments	57,779	43,699
Capital expenditures on property, plant and equipment, net of retirements and disposals	(15,515)	(9,620)
Acquisition of Transfusion Technologies Corporation, net of cash acquired		(26,572)
Net decrease in sales-type leases (long term)	2,606	4,108
Net cash used in investing activities	(26,404)	(29,232)
Cash Flows from Financing Activities:		
(Payments) proceeds on long term real estate mortgage	(174)	9,652
Net increase (decrease) in short term revolving credit agreements	12,857	(14,138)
Net decrease in long term credit agreements	(5,706)	(261)
Employee stock purchase plan purchases	553	434
Exercise of stock options and related tax benefit	15,126	4,986
Purchase of treasury stock		(4,729)
Net cash provided by (used in) financing activities	22,656	(4,056)
Effect of exchange rates on cash and cash equivalents	85	(145)
Net increase in cash and cash equivalents	11,459	737
Cash and cash equivalents at beginning of period	41,441	25,911
Cash and cash equivalents at end of period	$ 52,900	$ 26,648
Non cash investing and financing activities:		
Transfers from inventory to fixed assets for Haemonetics placement equipment	$ 3,519	$ 5,348
Supplemental disclosures of cash flow information:		
Interest paid	$ 3,481	$ 3,206
Income taxes paid	$ 7,059	$ 5,092

The accompanying notes are an integral part of these consolidated financial statements.

HAEMONETICS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The results of operations for the interim periods shown in this report are not necessarily indicative of results for any future interim period or for the entire fiscal year. The Company believes that the quarterly information presented includes all adjustments (consisting only of normal, recurring adjustments) that the Company considers necessary for a fair presentation in accordance with generally accepted accounting principles. Certain reclassifications were made to prior year balances to conform to the presentation of the consolidated financial statements for the nine months ended December 29, 2001. The accompanying unaudited consolidated financial statements and notes should be read in conjunction with the Company's audited annual consolidated financial statements.

2. FISCAL YEAR

The Company's fiscal year ends on the Saturday closest to the last day of March. Both fiscal year 2002 and 2001 include 52 weeks with the third quarter of each fiscal year including 13 weeks.

3. ACCOUNTING FOR SHIPPING AND HANDLING COSTS

In the fourth quarter of fiscal year 2001, the Company adopted Emerging Issues Task Force No. 00-10, ("EITF 00-10",) "Accounting for Shipping and Handling Fees and Costs." The EITF concluded that amounts billed to a customer in a sale transaction related to shipping and handling should be classified as revenue. Prior to implementing EITF 00-10, shipping and handling costs billed to a customer were netted against shipping and handling costs recorded in cost of goods sold and selling, general and administrative expenses. The third quarter of fiscal year 2001 has been adjusted to comply with this change in classification of freight revenue.

The EITF consensus also requires an entity to disclose the amount of shipping and handling costs and the line item on the income statement that includes such costs if the costs are not in cost of goods sold and are significant. Shipping and handling costs are included in costs of goods sold with the exception of $1.1 million and $1.0 million for three months ended December 29, 2001 and December 30, 2000 and $3.3 million and $2.9 million for the nine months ended December 29, 2001 and December 30, 2001, respectively that are included in selling, general and administrative expenses.

4. NEW PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141 ("SFAS No. 141"), "Business Combinations." SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method.

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." This statement applies to goodwill and intangible assets acquired after June 30, 2001, as well as goodwill and intangible assets previously acquired. Under this statement goodwill as well as certain other intangible assets, determined to have an infinite life, will no longer be amortized. Instead these assets will be reviewed for impairment on a periodic basis. The Company elected early adoption of SFAS No. 142 during the first fiscal quarter ended June 30, 2001. The goodwill associated with past acquisitions is no longer subject to amortization over its estimated useful life. Such goodwill is subject to an annual assessment of impairment by applying a fair value based test. See Notes 5 and 6 for additional disclosure information required by SFAS No. 142.

In accordance with SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and

Hedging Activities" and SFAS No. 138 "Accounting for Certain Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133," (collectively, SFAS No. 133, as amended) effective April 1, 2001. These standards were adopted as of April 1, 2001 as a change in accounting principle and cannot be applied retroactively to financial statements of prior periods.

SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that the Company formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133, as amended, in part, allows special hedge accounting for fair value and cash flow hedges. The statement provides that the gain or loss on a derivative instrument designated and qualifying as a fair value hedging instrument, as well as the offsetting changes in the fair value of the hedged item attributable to the hedged risk, be recognized currently in earnings in the same accounting period. SFAS No. 133, as amended, provides that the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument be reported as a component of other comprehensive income and be reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. The ineffective portion of a derivative's change in fair value is recognized currently through earnings regardless of whether the instrument is designated as a hedge.

The Company enters into forward exchange contracts to hedge the anticipated cash flows from forecasted foreign currency denominated revenues. The purpose of the Company's foreign hedging activities is to minimize, for a period of time, the unforeseen impact on the Company's results of operations of fluctuations in foreign exchange rates. The Company also enters into forward contracts that settle within 35 days to hedge certain inter company receivables denominated in foreign currencies. These derivative financial instruments are not used for trading purposes. The cash flows related to the gains and losses on these foreign currency hedges are classified in the consolidated statements of cash flows as part of cash flows from operating activities.

At December 29, 2001, the Company had 29 forward contracts outstanding, all maturing in less than twelve months, to exchange Euro equivalent currencies and the Japanese yen primarily for U.S. dollars totaling $106.3 million. Of these contracts, seven, totaling $23.5 million, represented contracts with zero fair value relating to inter-company receivables established at quarter end, that settle within 35 days after quarter end. The Company has designated the remainder of these contracts as cash flow hedges intended to lock in the expected cash flows of forecasted foreign currency denominated revenues at the available spot rate. The fair value of the forward contracts associated with changes in points on forward contracts is excluded from the Company's assessment of hedge effectiveness. At adoption, April 1, 2001, the Company recorded the fair value of these contracts of $9.2 million as an asset on the balance sheet. At adoption, the change in the fair value of the contracts associated with changes in the spot rate as of April 1, 2001 of $4.6 million was recorded in other comprehensive income ($6.4 million less taxes of $1.8 million). At adoption, the change in the fair value of the points associated with forward contracts, which are excluded from the Company's assessment of hedge effectiveness, totaled $2.3 million ($3.2 million less taxes of $0.9 million) as of April 1, 2001. This amount was recorded as a cumulative effect of a change in accounting principle.

At December 29, 2001, the fair value of the forward contracts was $5.9 million. Of this amount, $3.2 million was recorded in other comprehensive income, ($5.0 million less taxes of $1.8 million). For the nine months ended December 29, 2001, the change in the fair value attributable to points on forward contracts totaled approximately $2.3 million. This balance was excluded from the assessment of hedge effectiveness and was recorded as part of other income, net for the nine months ended December 29, 2001 in the Company's unaudited consolidated statement of operations.

A summary of the accounting discussed above is as follows (in thousands):

(Income)/Expense Cash Flow Hedges Debit (Credit)	Asset Forward Contracts	Other Comprehensive Income, net of tax	Other (Income) Expense, net	Cumulative Effect of Change in Accounting Principle, net of tax
At adoption, April 1, 2001, of SFAS No. 133, net of tax	$ 9,200	$(4,608)	--	$(2,304)
For nine months ended December 29, 2001	$(3,329)	$ 1,440	$(2,328)	
Balance	$ 5,871	$(3,168)		

Prior to the adoption of SFAS No. 133 as amended, the Company recorded points associated with forward contracts as other income when the transactions being hedged was recognized. Under SFAS No. 133 as amended, these points are recorded on a fair value basis over the life of the contracts. For the nine months ended December 29, 2001, income from points on forward contracts was $5.5 million or $1.6 million higher than if recorded under the provisions of SFAS No. 52, ("Foreign Currency Translation.")

5. ACQUIRED OTHER INTANGIBLE ASSETS

	As of December 29, 2001	
	Gross Carrying Amount (in thousands)	Accumulated Amortization (in thousands)
Asset Class:		
Patents	$ 6,494	$ 528
Unpatented technology	7,418	607
Customer contracts and related relationships	6,000	400
Total	$19,912	$1,535

Aggregate amortization expense for amortized other intangible assets for the three months and nine months ended December 29, 2001 is $318,000 and $936,000, respectively. Additionally, future amortization expense on other intangible assets for each of the succeeding five fiscal years approximates $1.7 million.

HAEMONETICS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS continued

6. GOODWILL

The changes in the carrying amount for the nine months ended December 29, 2001 are as follows (in thousands):

Carrying amount as of March 31, 2001	$14,426
Adjustment due to a change in the valuation of net operating losses acquired in September, 2000 as part of the Transfusion Technologies acquisition. ($2,821 gross less $84 in accumulated amortization.)	(2,737)
Adjustment due to a change in the valuation of the liabilities associated with the January, 2001 acquisition of the Alpha Therapeutic Corporation plasma collection bottle plant.	878
Effect of change in rates used for translation	(504)
Carrying amount as of December 29, 2001	$12,063

The proforma effect on prior year earnings of excluding amortization expense, net of tax, is as follows (in thousands except per share data):

	For the three months ended December 30, 2000	For the nine months ended December 30, 2000
Reported net income	$8,963	$ 70
Add: goodwill amortization	210	586
Adjusted net income	$9,173	$ 656
Basic income per common share:		
Reported net income	$ 0.35	$0.00
Goodwill amortization	0.01	0.02
Adjusted net income	$ 0.36	$0.02
Income per common share assuming full dilution:		
Reported net income	$ 0.34	$0.00
Goodwill amortization	0.01	0.02
Adjusted net income	$ 0.35	$0.02

With the adoption of SFAS No. 142, there were no changes to amortization expense on acquired other intangible assets.

7. INVENTORIES

Inventories are stated at the lower of cost or market and include the cost of material, labor and manufacturing overhead. Cost is determined on the first in, first out method.

Inventories consist of the following:

	December 29, 2001	March 31, 2001
	(in thousands)	
Raw materials	$16,954	$16,015
Work in process	4,741	4,237
Finished goods	41,594	33,755
	$63,289	$54,007

8. NET INCOME PER SHARE

The following table provides a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations, as required by SFAS No. 128, "Earnings Per Share." Basic EPS is computed by dividing reported earnings available to stockholders by weighted average shares outstanding. Diluted EPS includes the effect of potential dilutive common shares.

	For the three months ended	
	December 29, 2001	December 30, 2000
Basic EPS		
Net income	$ 2,432	$ 8,963
Weighted average shares	26,445	25,259
Basic income per share	$ 0.09	$ 0.35
Diluted EPS		
Net income	$ 2,342	$ 8,963
Basic weighted average shares	26,445	25,259
Effect of stock options	1,080	732
Diluted weighted average shares	27,525	25,991
Diluted income per share	$ 0.09	$ 0.34

	For the nine months ended	
	December 29, 2001	December 30, 2000
Basic EPS		
Net Income	$22,324	$ 70
Weighted average shares	26,237	25,213
Basic income per share	$ 0.85	$ 0.00

HAEMONETICS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS continued

Diluted EPS		
Net income	$22,324	$ 70
Basic weighted average shares	26,237	25,213
Effect of stock options	1,003	607
Diluted weighted average shares	27,240	25,820
Diluted income per share	$ 0.82	$ 0.00

9. SEGMENT INFORMATION

Segment Definition Criteria

The Company manages its business on the basis of one operating segment: the design, manufacture and marketing of automated blood processing systems. Haemonetics chief operating decision maker uses consolidated results to make operating and strategic decisions. Manufacturing processes, as well as the regulatory environment in which the Company operates, are largely the same for all product lines.

Product and Service Segmentation

The Company's principal product offerings include blood bank, red cell, surgical and plasma collection products.

The blood bank products include machines and single use disposables and solutions that perform "apheresis," the separation of whole blood into its components and subsequent collection of certain components, including platelets and plasma as well as the washing of red blood cells for certain applications. The main devices used for these blood component therapies is the MCS(R)+, mobile collection system and the Automated Cell Processing ("ACP") 215 system.

Red cell products include machines and single use disposables and solutions that perform apheresis for the collection of red blood cells. Devices used for the collection of red blood cells are the Red Cell 8150 and MCS(R) 9000.

Surgical products include machines and single use disposables that perform intraoperative autologous transfusion ("IAT") or surgical blood salvage, as it is more commonly known, in orthopedic and cardiovascular surgical applications. Surgical blood salvage is a procedure whereby shed blood is collected, cleansed and returned back to a patient. The devices used in the surgical area are the OrthoPat(R) System, and a full line of Cell Saver(R) autologous blood recovery systems.

Plasma collection products are machines, disposables and solutions that perform apheresis for the separation of whole blood components and subsequent collection of plasma. The device used in automated plasma collection is the PCS(R)2.

HAEMONETICS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS continued

Three months ended (in thousands)

December 29, 2001	Blood Bank	Red Cells	Surgical	Plasma	Other	Total
Revenues from external customers	30,225	2,652	18,367	29,425	3,742	84,411
December 30, 2000						
Revenues from external customers	29,019	2,085	17,621	23,445	4,068	76,238

Nine months ended (in thousands)

December 29, 2001	Blood Bank	Red Cells	Surgical	Plasma	Other	Total
Revenues from external customers	84,724	7,619	52,529	85,425	10,619	240,916
December 30, 2000						
Revenues from external customers	83,944	5,692	49,227	65,885	12,698	217,446

10. ACQUISITION

Transfusion Technologies

On September 18, 2000, the Company completed the acquisition of Transfusion Technologies Corporation, a Delaware Corporation ("Transfusion") pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated September 4, 2000 among the Company, Transfusion, Transfusion Merger Co., the holders of a majority of outstanding shares of Preferred and Common Stock of Transfusion and certain principals of Transfusion. The acquisition was effected in the form of a merger (the "Merger") of Transfusion Merger Co., a wholly owned subsidiary of the Company, with and into Transfusion. Transfusion was the surviving corporation in the merger.

Transfusion Technologies designs, develops and markets systems for the processing of human blood for transfusion to patients. Its systems are based on centrifuge technology called the Dynamic Disk TM and consist of sterile, single use disposable sets and computer controlled electromechanical devices that control the blood processing procedure. The systems have applications in both autotransfusion and blood component collection technologies.

The aggregate purchase price, before transaction costs and cash acquired, of approximately $50.1 million was comprised of $36.5 million to Transfusion's common and preferred stockholders, and warrant and option holders, and $13.6 million, representing the economic value of the Company's 19.8% preferred stock investment in Transfusion made in November 1999. The cash required to purchase the remaining 80.2% interest in Transfusion, was $26.6 million, net of cash acquired.

The Transfusion merger was accounted for using the purchase method of accounting for business combinations. Accordingly, the accompanying Consolidated Statement of Operations includes Transfusion Technologies' results of operations commencing on the date of acquisition. The purchase price was allocated to the net assets acquired based on the Company's estimates of fair value at the acquisition date. The fair market value of liabilities included in the net assets purchased was $6.3 million. The excess of the purchase price over the fair market value of the net assets acquired was recorded as goodwill in the amount of $2.8 million.

HAEMONETICS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS continued

The allocation of the purchase price over the fair market value of the assets acquired is as follows:

Consideration Paid for 80.2%	$45,046
Plus other estimated transaction costs	1,607(i)
Total estimated purchase price	46,653
Less: estimated fair value of Transfusion' identifiable net assets on September 15, 2000	43,832
Total estimated goodwill due to acquisition	$ 2,821
Gross adjustment due to a change in the valuation of acquired net operating losses associated with the acquisition of Transfusion Technologies recorded in September 2000	(2,821)
Balance as of December 29, 2001	$

(i) Transaction costs primarily include professional fees, costs to close down the Transfusion Technologies' facility and severance costs.

In Process Research and Development

Included in the purchase price allocation for the acquisition of Transfusion Technologies was an aggregate amount of purchased in process research and development ("IPR&D") of $21.5 million, $2.9 million of which is reflected in the restatement of the third quarter of fiscal year 2000 relative to Haemonetics' original 19.8% investment and $18.6 million of which is reflected in the second quarter of fiscal year 2001. The values represent purchased in process technology that had not yet reached technical feasibility and had no alternative future use. Accordingly, the amounts were immediately expensed in the consolidated statement of operations.

An independent valuation was performed to assess and allocate a value to the purchased IPR&D. The value represents the estimated fair market value based on risk adjusted future cash flows generated by the products employing the in process projects over a ten year period. Estimated future after tax cash flows for each product were based on Transfusion Technologies' and Haemonetics' estimates of revenue, operating expenses, income taxes, and charges for the use of contributory assets. Additionally, these cash flows were adjusted to compensate for the existence of any core technology and development efforts that were to be completed post acquisition.

Revenues were estimated based on relevant market size and growth factors, expected industry trends, individual product sales cycles, and the estimated life of each product's underlying technology. Estimated operating expenses include cost of goods sold, selling, general and administrative, and research and development ("R&D") expenses. The estimated R&D expenses include only those costs needed to maintain the products once they have been introduced into the market. Operating expense estimates were consistent with expense levels for similar products.

The discount rates used to present value the projected cash flows were based on a weighted average cost of capital relative to Transfusion Technologies and its industry adjusted for the product specific risk associated with the purchased IPR&D projects. Product specific risk includes such factors as: the stage of completion of each project, the complexity of the development work completed to date, the likelihood of achieving technological feasibility, and market acceptance.

The forecast data employed in the valuation were based upon projections created by Transfusion Technologies' management and Haemonetics management's estimate of the future performance of the business. The inputs used in valuing the purchased IPR&D were based on assumptions that management believes to be reasonable but which are inherently uncertain and unpredictable. These assumptions may be incomplete or inaccurate, and no assurance can be given that unanticipated events or circumstances will not occur. Accordingly, actual results may vary from the forecasted results. While management believes that all of the development projects will be successfully completed, failure of any of these projects to achieve technological feasibility, and/or any variance from forecasted results, may result in a material adverse effect on Haemonetics' financial condition and results of operations.

A brief description of the IPR&D projects related to the acquisition of Transfusion Technologies, including their estimated stage of completion and associated discount rates, is outlined below.

Chairside Separator ("CSS"). The CSS is a portable, automated device used for the donor side collection and processing of a single unit of whole blood into a unit of red cell concentrate and plasma. The system is designed for use in a blood center, hospital, or mobile blood drive location and can be powered either through a standard AC outlet or by DC battery packs. Haemonetics estimates that the project was 95% completed at the time of acquisition and product sales would commence by the fourth quarter of 2002. The IPR&D value assigned to the CSS was $17.6 million. A discount rate of 33% was employed in the analysis.

Red Cell Collector ("RCC"). The RCC is a portable, automated device used for the collection and processing of two units of red blood cells from donors. The system collects and automatically anticoagulates the whole blood while separating it into red blood cells and plasma. The plasma and 500ml of saline is then re-infused back to the donor. The system is designed for use in a blood center, hospital, or mobile blood drive location and can be powered either through a standard AC outlet of by DC battery packs. Haemonetics estimates that the project was 65% completed at the time of acquisition and product sales would commence by the second quarter 2003. The IPR&D value assigned to the RCC was $3.9 million. A discount rate of 33% was employed in the analysis.

The following unaudited pro forma summary combines the consolidated results of operations of Haemonetics Corporation and Transfusion Technologies as if the acquisition had occurred as of the beginning of fiscal year 2001 after giving effect to certain adjustments including adjustments to reflect reductions in depreciation expense, increases in intangible and goodwill amortization expense and lost interest income. This pro forma summary is not necessarily indicative of the results of operations that would have occurred if Haemonetics and Transfusion Technologies had been combined during such periods. Moreover, the pro forma summary is not intended to be indicative of the results of operations to be attained in the future.

~~HAEMONETICS CORPORATION AND SUBSIDIARIES~~
~~NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--continued~~

	~~Nine Months Ended December 30, 2000~~
	~~(in thousands, except per share amounts)~~
~~Net revenues~~	~~$217,538~~
~~Operating income~~	~~17,359~~
~~Income from continuing operations~~	~~14,514~~
~~Basic and diluted income per common share for continuing operations:~~	
~~Basic~~	~~$ 0.576~~
~~Diluted~~	~~$ 0.562~~
~~Weighted average number of common shares outstanding~~	
~~Basic~~	~~25,213~~
~~Diluted~~	~~25,820~~

~~Other Unusual Charges~~

~~Unusual charges expensed as a result of the acquisition of Transfusion Technologies amounted to $4.6 million for the nine months ended December 30, 2000. Included in the unusual charges were $2.8 million in bonuses paid to key Transfusion executives hired by Haemonetics and severance to Haemonetics employees laid off due to overlaps created by the merger, a $0.5 million write-off of an investment in a technology which the Company decided not to pursue in lieu of the technologies acquired in the merger, and the adjustment required to modify the 19.8% investment of Transfusion by Haemonetics in November of fiscal year 2000 from the cost method to the equity method of accounting as required by generally accepted accounting principles. To effect this change, the historic cost of the 19.8% investment made by Haemonetics' was written down by its 19.8% share of the monthly losses incurred by Transfusion Technologies from November of fiscal year 2000 through the date of acquisition of the remaining 80.2%. For fiscal year 2001, the charge to the statement of operations related to this equity adjustment was $1.3 million for the nine months ended December 30, 2000. In addition, the Company restated its investment in Transfusion on the balance sheet for losses incurred through April 1, 2000. Retained earnings at April 1, 2000 was also reduced by $3.6 million, $0.7 million of which related to the cost to equity method of accounting adjustment and $2.9 million of which related to IPR&D attributable to Haemonetics' initial investment.~~

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Three Months Ended December 29, 2001 Compared to Three Months Ended December 30, 2000

The table outlines the components of the consolidated statements of income from operations as a percentage of net revenues:

	Percentage of Net Revenue		Percentage Increase/(Decrease) (in actual dollars)
	Three Months Ended		
	Dec. 29, 2001	Dec. 30, 2000	2001/2000
Net revenues	100.0%	100.0%	10.7%
Cost of goods sold	51.1	48.8	16.0
Gross Profit	48.9	51.2	5.7
Operating Expenses:			
Research and development	17.9	6.8	%
Selling, general and administrative	27.6	30.0	1.9
Total operating expenses	45.5	36.8	37.0
Operating income	3.3	14.4	(74.4)
Interest expense	(1.1)	(1.1)	4.2
Interest income	1.2	1.3	0.3
Other income, net	0.6	1.2	(51.7)
Income before provision for income taxes	4.0	15.8	(72.0)
Provision for income taxes	1.1	4.0	(69.6)
Net income	2.9%	11.8%	(72.9)%

			Percent Increase/(Decrease)	
By geography:	2001	2000	Actual dollars as reported	At constant currency
United States	$32,261	$24,770	30.2%	30.2%
International	52,150	51,468	1.3	11.7
Net revenues	$84,411	$76,238	10.7%	18.0%

By product type:	2001	2000	Percent Increase/(Decrease) Actual dollars as reported	At constant currency
Disposables	$75,628	$68,936	9.7%	17.0%
Misc. & service	3,744	4,069	(8.0%)	3.0%
Equipment	5,039	3,233	55.9%	54.8%
Net revenues	$84,411	$76,238	10.7%	18.0%

Disposable revenue By product line:	2001	2000	Percent Increase/(Decrease) Actual dollars as reported	At constant currency
Surgical	$16,779	$16,473	1.9%	8.3%
Bloodbank	27,640	27,384	0.9	9.9
Red cells	2,548	2,044	24.7	35.6
Plasma	28,661	23,035	24.4	29.7
Disposable revenues	$75,628	$68,936	9.7%	17.0%

Net Revenues

Net revenues in 2001 increased 10.7% to $84.4 million from $76.2 million in 2000. With currency rates held constant, net revenues increased 18.0% from 2000 to 2001.

Disposable sales increased 9.7% year over year at actual rates. With currency rates held constant, disposable sales increased 17.0%. Year over year constant currency disposable sales growth was a result of disposable growth in worldwide Surgical (up 8.3%), worldwide Bloodbank (up 9.9%), worldwide Red Cells (up 35.6%), and worldwide Plasma (up 29.7%). The constant currency growth in the worldwide Surgical disposable sales is mainly attributed to volume increases of existing products in the Japanese and European markets and the success of the Company's recently launched OrthoPAT(R) products in the U.S. orthopedic market. Worldwide, the OrthoPAT(R) accounted for 6.3% or 75% of the constant currency growth in surgical disposable sales. Worldwide Bloodbank disposable sales increased as compared to 2000 as a result of volume increases in platelet disposable sales in Japan and volume increases in the U.S. market resulting from the rollout of the Automated Cell Processing ("ACP") 215 system. The growth in worldwide Red cell sales is attributed to volume increases in the U.S. market and to favorable mix influences in the European distributor market. The growth of Red cells was unfavorably impacted by the events of September 11, 2001 and by the recently announced delay in the rollout of the double red cell technology by the American Red Cross ("ARC"). The ARC is awaiting approval from the Food and Drug Administration on software and standard operating procedure upgrades necessary to expand its red cell program beyond its four current pilot sites. The growth in worldwide Plasma disposables sales is attributed to volume increases of products sold in the U.S. due to the continued upturn in plasma collections as demand for source plasma outpaces supply. Of the 29.7% constant currency Plasma growth, approximately 11.0% of it was due to sales of bottles resulting from the

Company's acquisition of the plasma container business in the fourth quarter of last year and from the sales of Haemonetics brand anticoagulant solution introduced to the Company's Plasma product line last year.

At actual rates and at constant currency, sales of disposable products, excluding service and other miscellaneous revenue, accounted for 89.6% and approximately 90.4% of net revenues for 2001 and 2000, respectively.

Service revenue generated from equipment repairs performed under preventive maintenance contracts or emergency service billings and miscellaneous revenues accounted for 4.5% of the Company's net revenues, at actual rates and constant currency for 2001. Service revenue generated from equipment repairs performed under preventive maintenance contracts or emergency service billings and miscellaneous revenues accounted for 5.4% of the Company's net revenues, at actual rates and 5.2% at constant currency for 2000.

Equipment revenues increased 55.9% from $3.2 million in 2000 at actual rates and increased 54.8% or $1.8 million year over year with currency rates held constant. The 54.8% increase is attributable to sales of surgical machines and the new ACP 215 system domestically.

At actual rates, international sales accounted for 61.8% and 67.5% of net revenues for 2001 and 2000, respectively. At constant currency, international sales accounted for 62.5% and 66.0% of net revenues for 2001 and 2000, respectively. As in the U.S., sales outside the U.S. are susceptible to risks and uncertainties from regulatory changes, the Company's ability to forecast product demand and market acceptance of the Company's products, changes in economic conditions, the impact of competitive products and pricing, changes in health care policy and the events of September 11, 2001 and their aftermath.

Gross profit

Gross profit of $41.2 million for the three months ended December 29, 2001 increased $2.2 million or 5.7% from $39.0 million for the three months ended December 30, 2000. At constant currency, gross profit as a percent of sales increased by 0.8% and increased in dollars by $7.0 million or 19.9% from 2000 to 2001. The $7.0 million constant currency gross profit increase from 2000 was primarily a result of higher sales, efficiency gains due to higher manufacturing volumes, and cost reductions.

In 1998, the Company initiated the Company's Customer Oriented Redesign for Excellence ("CORE") Program to increase operational effectiveness and improve all aspects of customer service. The CORE Program is based on Total Quality of Management ("TQM") principles, and the Program aims to increase the efficiency, and the quality of processes and products, and to improve the quality of management at Haemonetics. For the three months ending December 29, 2001, the CORE program has generated approximately $1.8 million of cost savings benefiting the Company's gross profit from initiatives to lower product costs through automation.

Expenses

The Company expended $15.1 million (17.9% of net revenues) on research and development in 2001 and $5.2 million (6.8% of net revenues) in 2000. The increase in expenditures for research and development was primarily due to a $10.0 million payment made to acquire rights to a technology currently under development. Excluding this expenditure and at constant currency rates, research and development as a percent of sales decreased by 0.8% and increased in dollars by $0.2 million from 2000 to 2001. The increase in research and development is a result of the Company's objective to reinvest available funds into new product development.

Selling, general and administrative expenses increased $0.4 million from $22.8 million in 2000 to approximately $23.3 million in 2001. At constant currency, selling, general and administrative expenses increased $2.0 million from 2000 yet decreased 2.1% as a percent of sales from 2000 to 2001. Higher sales and increased spending behind the Company's new product sales and marketing activities contributed to the increase in selling, general and administrative dollars spent and to the decrease as a percentage of sales. The CORE Program is not expected to have

~~a notable impact in savings related to selling, general and administrative expenses during the current year as most savings are expected in cost of goods sold.~~

~~Operating Income~~

~~Operating income, as a percentage of net revenues, decreased to 3.3% from 14.4% in 2000. At constant currency, operating income decreased $5.3 million and decreased 7.8 percentage points as a percent of sales from 11.4% in 2000. The $5.3 million decrease in operating income resulted from the $10.0 million payment in the current year to acquire the rights to technology currently under development, increases in selling, general and administrative expenses year over year, offset by $7.0 million of constant currency improvement in gross profit in 2001 as compared to 2000.~~

~~Other Income, Net~~

~~Interest expense in 2001 was relatively flat as compared to 2000. Because 92% of the Company's long term debt is at fixed rates, the Company has not benefited from lower interest rates in the marketplace. Interest income was also relatively unchanged year over year as lower interest rates have offset the benefit from higher cash balances under investment. Other income net decreased $0.5 million due to a decline in income earned from points on forward contracts, which was offset by the reduction of amortization expense as a result of the Company's adoption of Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"), "Goodwill and Other Intangible Assets," effective April 1, 2001 which required that the Company cease amortization of goodwill.~~

~~Taxes~~

~~The provision for income taxes, as a percentage of pretax income, was 28.0% for the three months ended December 29, 2001 and 25.7% for the three months ended December 30, 2000. The 25.7% rate in the third quarter of last year reflects a year to date adjustment decreasing the Company's year to date tax provision from 28% to 27%.~~

Nine Months Ended December 29, 2001 Compared to Nine Months Ended December 30, 2000

	Percentage of Net Revenues Nine Months Ended		Percentage Increase/(Decrease) (in actual dollars)
	Dec. 29, 2001	Dec. 30, 2000	2001/2000
Net revenues	100.0%	100.0%	10.8%
Cost of goods sold	51.3	51.3	10.8
Gross Profit	48.7	48.7	10.8
Operating Expenses:			
Research and development	10.4	6.3	82.9
Selling, general and administrative	27.9	29.7	3.7
In process research and development	--	8.6	(100.0)
Other unusual charges		2.1	(100.0)
Total operating expenses	38.3	46.7	(9.4)
Operating income	10.4	2.0	--
Interest expense	(1.2)	(1.3)	4.8
Interest income	1.3	1.5	(3.9)
Other income, net	1.0	1.2	(16.0)
Income before provision for income taxes	11.5	3.4	
Provision for income taxes	3.2	3.4	4.6
Income before cumulative effect of change in accounting	8.3		
Cumulative effect of change in accounting principle, net of tax	1.0		100.0
Net income	9.3%	--	--

By geography:	2001	2000	Percent Increase/(Decrease) Actual dollars as reported	At constant currency
United States	$ 91,044	$ 69,961	30.1%	30.1%
International	149,872	147,485	1.6	6.4
Net revenues	$240,916	$217,446	11.5%	14.2%

By product type:	2001	2000	Percent Increase/(Decrease) Actual dollars as reported	At constant currency
Disposables	$218,332	$195,845	11.5%	14.6%
Misc. & service	10,619	12,698	(16.4)	(8.8)
Equipment	11,965	8,903	34.4	37.3
Net revenues	$240,916	$217,446	10.8%	14.2%

Disposable revenue By product line:	2001	2000	Percent Increase/(Decrease) Actual dollars as reported	At constant currency
Surgical	$ 48,967	$ 45,559	7.5%	11.5%
Bloodbank	78,258	79,474	(1.5)	1.6
Red cells	7,487	5,573	34.3	43.9
Plasma	83,620	65,239	28.2	29.8
Disposable revenues	$218,332	$195,845	11.5%	14.6%

Net Revenues

Net revenues in 2001 increased 10.8% to $240.9 million from $217.4 million in 2000. With currency rates held constant, net revenues increased 14.2% from 2000 to 2001.

Disposable sales increased 11.5% year over year at actual rates. With currency rates held constant, disposable sales increased 14.6%. Year over year constant currency disposable sales growth was a result of disposable growth in worldwide Surgical (up 11.5%), worldwide Bloodbank (up 1.6%), worldwide Red Cells (up 43.9%), and worldwide Plasma (up 29.8%). The constant currency growth in the worldwide Surgical disposable sales is mainly attributed to volume increases of existing products in the European market and the success of the Company's newly acquired OrthoPAT(R) product in the U.S. orthopedic market. Worldwide, the OrthoPAT(R) accounted for 8.0% of the constant currency growth in Surgical disposable sales. Worldwide Bloodbank disposable sales increased as compared to 2000 as a result of volume increases in the U.S. market resulting from the rollout of the Automated Cell Processing ("ACP") 215 system. The growth in worldwide Red cell sales is primarily attributed to volume increase in the U.S. market. The growth in worldwide Plasma disposables sales is attributed to volume increases in the U.S. market due to the continued upturn in plasma collections as demand for source plasma outpaces supply. Of the 29.8% constant currency Plasma growth, approximately 18.5% of it was due to sales of bottles resulting from the Company's acquisition of the plasma container business in the fourth quarter of last year and from the sales of Haemonetics brand anticoagulant solution newly introduced to the Company's Plasma product line last year.

Sales of disposable products, excluding service and other miscellaneous revenue, accounted for 90.7% and 90.1% of net revenues for 2001 and 2000, receptively. At constant currency these sales accounted for 90.6% and 90.3% of net revenues for 2001 and 2000, respectively.

Service revenue generated from equipment repairs performed under preventive maintenance contracts or emergency service billings and miscellaneous revenues at actual rates accounted for 4.4% and 5.9% of the Company's net revenues for 2001 and 2000, respectively. At constant currency these sales accounted for 4.5% and 5.6% of the Company's net revenues for 2001 and 2000, respectively.

Equipment revenues increased 34.4% from $8.9 million in 2000 at actual rates and increased 37.3% year over year with currency rates held constant. The 37.3% constant currency increase was a result of increased equipment revenues primarily in the U.S. and in Europe. This increase is attributable to sales of platelet and plasma machines in Europe and to sales of the new ACP technology domestically.

At actual rates, international sales accounted for 62.2% and 67.9% of net revenues for 2001 and 2000, respectively. At constant currency, international sales accounted for 63.1% and 67.3% of net revenues for 2001 and 2000, respectively, As in the U.S., sales outside the U.S. are susceptible to risks and uncertainties from regulatory changes, the Company's ability to forecast product demand and market acceptance of the Company's products, changes in economic conditions, the impact of competitive products and pricing, changes in health care policy and the events of September 11, 2001 and their aftermath.

Gross profit

Gross profit of $117.3 million for the nine months ended December 29, 2001 increased $11.5 million from $105.9 million for the nine months ended December 30, 2000. At constant currency, gross profit as a percent of sales increased by 1.3% and increased in dollars by $17.4 million or 17.3% from 2000 to 2001. The $17.4 million constant dollar gross profit increase from 2000 was primarily a result of higher sales and efficiency gains due to higher manufacturing volumes and cost reductions.

For the nine months ending December 29, 2001, the CORE program has contributed approximately $3.1 million of cost savings benefiting the Company's gross profit. The estimated savings for the full twelve months of fiscal year 2002 approximates $4.0 million and will stem from initiatives to lower product costs by automating and redesigning the way certain products are made so that less material and labor is needed, and by negotiating lower material prices with vendors. These savings are expected to be partially offset by increases in other product costs.

Expenses

The Company expended $24.9 million (10.4% of net revenues) on research and development in 2001 and $13.6 million (6.3% of net revenues) in 2000. The increase in expenditures for research and development was primarily due to a $10.0 million payment made to acquire rights to a technology currently under development. Excluding this expenditure and at constant currency rates, research and development as a percent of sales increased by 0.1% and

~~increased in dollars by $1.7 million from 2000 to 2001. The increase in research and development was a result of the Company's objective to reinvest available funds into new product development.~~

~~Selling, general and administrative expenses increased $2.4 million from $64.7 million in 2000 to approximately $67.1 million in 2001. At constant currency, selling, general and administrative expenses increased $6.1 million from 2000 yet decreased 1.2% as a percent of sales from 2000 to 2001. Higher sales and increased spending behind the Company's new product sales and marketing activities contributed to the increase in selling, general and administrative dollars spent and to the decrease as a percentage of sales. The CORE Program is not expected to have a notable impact in savings on selling, general and administrative expenses during the current year as most savings are expected in cost of goods sold.~~

~~In Process Research and Development (IPR&D)~~

~~Upon consummation of the Transfusion Technologies acquisition in the second quarter of fiscal 2001, the Company incurred costs representing the value of the research and development projects. Included in the purchase price allocation for the acquisition of Transfusion Technologies was an aggregate amount of purchased in-process research and development ("IPR&D") of $21.5 million, $2.9 million of which is reflected in the restatement of fiscal year 2000 relative to Haemonetics' original 19.8% investment. The values represent purchased in-process technology that had not yet reached technical feasibility and had no alternative future use. Accordingly, the amounts were immediately expensed in the consolidated statement of operations (see Note 10 in the unaudited consolidated financial statements for further discussion of the acquisition and IPR&D charges).~~

~~An independent valuation was performed to assess and allocate a value to the purchased IPR&D. The value represents the estimated fair market value based on risk adjusted future cash flows generated by the products employing the in process technology over a 10 year period. Estimated future after tax cash flows for each product were based on Transfusion's and Haemonetics' estimates of revenue, operating expenses, income taxes, and charges for the use of contributory assets. Additionally, these cash flows were adjusted to compensate for the existence of any core technology and development efforts that were to be completed post acquisition.~~

~~Revenues were estimated based on relevant market size and growth factors, expected industry trends, individual product sales cycles, and the estimated life of each product's underlying technology. Estimated operating expenses include cost of goods sold, selling, general and administrative, and research and development ("R&D") expenses. The estimated R&D expenses include only those costs needed to maintain the products once they have been introduced into the market. Operating expense estimates were consistent with expense levels for similar products.~~

~~The discount rates used to present value the projected cash flows were based on a weighted average cost of capital relative to Transfusion Technologies and its industry adjusted for the product specific risk associated with the purchased IPR&D projects. Product specific risk includes such factors as: the stage of completion of each project, the complexity of the development work completed to date, the likelihood of achieving technological feasibility and market acceptance.~~

~~The forecast data employed in the valuation were based upon projections created by Transfusion's management and Haemonetics management's estimate of the future performance of the business. The inputs used in valuing the purchased IPR&D were based on assumptions that management believes to be reasonable, but which are inherently uncertain and unpredictable. These assumptions may be incomplete or inaccurate, and no assurance can be given that unanticipated events or circumstances will not occur. Accordingly, actual results may vary from the forecasted results. While management believes that all of the development projects will be successfully completed, failure of any of these projects to achieve technological feasibility, and/or any variance from forecasted results, may result in a material adverse effect on Haemonetics' financial condition and results of operations.~~

~~A brief description of the IPR&D projects related to the acquisition of Transfusion, including their estimated stage of completion and associated discount rates is outlined below.~~

~~Chairside Separator ("CSS"). The CSS is a portable, automated device used for the donor side collection and processing of a single unit of whole blood into a unit of red cell concentrate and plasma. The system is designed for use in a blood center, hospital, or mobile blood drive location and can be powered either through a standard AC outlet or by DC battery packs. At the time of the acquisition, Haemonetics estimated that the CSS project was 95% complete and that product sales would commence by the fourth quarter of fiscal 2002. The IPR&D value assigned to the CSS was $17.6 million. A discount rate of 33% was employed in the analysis.~~

~~The Company now considers the CSS project 100% complete, having completed the clinical safety study on July 13, 2001 and submission of the 510K to the Food and Drug Administration ("FDA") on September 22, 2001. Product sales will commence upon approval by the FDA which could be one year, or greater, from the submission date.~~

~~Red Cell Collector ("RCC"). The RCC is a portable, automated device used for the collection and processing of two units of red blood cells from donors. The system collects and automatically anticoagulates the whole blood while separating it into red blood cells and plasma. The plasma and 500 ml of saline is then re-infused back to the donor. The system is designed for use in a blood center, hospital, or mobile blood drive location and can be powered either through a standard AC outlet or by DC battery packs. At the time of the acquisition, Haemonetics estimated that the RCC project was 65% complete and that product sales would commence by the second quarter 2003. The IPR&D value assigned to the RCC was $3.9 million. A discount rate of 33% was employed in the analysis.~~

~~As of December 29, 2001, the estimated percent completion of the RCC project is 68%. The expected date that product sales will commence is fiscal year 2004. Estimates for cost of sales, S, G&A costs and income tax rates relative to the RCC project remain unchanged. Significant design, software programming, disposable set development and sourcing requirements are still to be completed. In addition, clinical trials will be conducted prior to submission of a 510K to the FDA. The estimated cost to be incurred to develop the purchased in process RCC technology into a commercially viable product is approximately $1.5 million in fiscal 2002, $1.9 million in fiscal 2003 and $1.0 million in fiscal 2004.~~

~~Other Unusual Charges~~

~~Unusual charges expensed as a result of the acquisition of Transfusion Technologies amounted to $4.6 million and included $2.8 million in bonuses paid to key Transfusion Executives hired by Haemonetics and severance to employees laid off due to overlaps created by the merger, a $0.5 million write off of an investment in fluid warming technology which Haemonetics decided not to pursue in lieu of the technologies acquired in the merger, and the adjustment required to modify the 19.8% investment of Transfusion by Haemonetics in November of fiscal year 2000 from the cost method to the equity method of accounting as required by generally accepted accounting principles. To effect this change, the historic cost of the 19.8% investment made by Haemonetics was written down by its 19.8% share of the monthly losses incurred by Transfusion Technologies from November of fiscal year 2000. For fiscal year 2001, the charge to the statement of operations related to this cost to equity adjustment was $1.3 million for the nine months ended December 30, 2000.~~

~~Operating Income~~

~~Operating income, as a percentage of net revenues, increased to 10.4% from 2.0% in 2000. At constant currency, operating income increased $22.9 million and increased 9.3 percentage points as a percent of sales from operating income of 0.7% in 2000. The $22.9 million increase in operating income resulted from $17.4 million of constant currency improvement in gross profit year over year, $23.2 million of unusual charges and IPR&D, in the prior year offset by increases in the current year in both research and development and selling, general and administrative expenses.~~

Foreign Exchange

The Company generates approximately 62% of its revenues outside the U.S. in foreign currencies. As such, the Company uses a combination of business and financial tools comprised of various natural hedges, (offsetting exposures from local production costs and operating expenses), and forward contracts to hedge its balance sheet and P&L exposures. Hedging through the use of forward contracts does not eliminate the volatility of foreign exchange rates, but because the Company generally enters into forward contracts one year out, rates are fixed for a one year period, thereby facilitating financial planning and resource allocation.

The Company computes a composite rate index for purposes of measuring, comparatively, the change in foreign currency hedge spot rates from the hedge spot rates of the corresponding period in the prior year. The relative value of currencies in the index corresponds to the value of sales in those currencies. The composite was set at 1.00 based upon the weighted rates at March 31, 1997.

For fiscal year 2001 and 2002, the indexed hedge rates were 9.1% more favorable and 2.0% less favorable than the respective prior years. For the second and third quarters of fiscal 2002, the indexed hedge spot rates appreciated 3.3% and depreciated 8.6%, respectively and for the second and third quarters of fiscal 2003, the indexed hedge spot rates depreciated 10.3% and 8.1%, respectively over the corresponding quarters of the preceding years. These indexed hedge rates represent the change in spot value (value on the day the hedge contract is undertaken) of the Haemonetics specific hedge rate index. These indexed hedge rates impact sales in the Company's financial statements.

The final impact of currency fluctuations on the results of operations is dependent on the local currency amounts hedged and the actual local currency results.

		Composite Index Hedge Spot Rates	Favorable/(Unfavorable) Change vs Prior Year
FY1999	Q1	0.98	(9.4%)
	Q2	1.06	(13.4%)
	Q3	1.03	(5.9%)
	Q4	1.05	(7.4%)
1999 Total		1.03	(9.1%)
FY2000	Q1	1.10	(10.8%)
	Q2	1.09	(2.8%)
	Q3	1.04	(0.6%)
	Q4	1.07	(1.0%)
2000 Total		1.07	(3.9%)
FY2001	Q1	1.04	5.4%
	Q2	1.00	8.2%
	Q3	0.92	12.9%
	Q4	0.97	10.2%
2001 Total		0.98	9.1%
FY2002	Q1	0.99	5.2%
	Q2	0.97	3.3%
	Q3	1.01	(8.6%)
	Q4	1.05	(7.5%)
2002 Total		1.00	(2.0%)

FY2003	Q1	1.09	(8.9%)
	Q2	1.08	(10.3%)
	Q3	1.10	(8.1%)

Other Income, Net

Interest expense for the nine months ended December 29, 2001 was relatively flat as compared to 2000. Because 92% of the Company's long-term debt is at fixed rates the Company has not benefited from lower interest rates in the marketplace. Interest income was also relatively flat from 2000 to 2001 as lower interest rates have offset the benefit from higher cash balances under investment. Other income net decreased $0.4 million due to a decline in income earned from points on forward contracts, which was offset by the reduction of amortization expense as a result of the Company's adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," effective April 1, 2001 which required that the Company cease amortization of goodwill.

Taxes

The provision for income taxes, as a percentage of pretax income, was 28.0% for the nine months ended December 29, 2001 and 27.0% for the nine months ended December 30, 2000 before the effect of the Company's acquisition of Transfusion Technologies (See Note 10 to the unaudited consolidated financial statements).

Cumulative Effect of Accounting Change, Net of Tax

In accordance with Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138 "Accounting for Certain Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133," (collectively, SFAS No. 133, as amended) effective, April 1, 2001, the beginning of the Company's 2002 fiscal year. As required, these standards were adopted as a change in accounting principle and accordingly, the effect at adoption of $3.2 million was shown net of taxes of $0.9 million as a cumulative effect of a change in accounting principle on the face of the unaudited consolidated statements of operations in the nine months ended December 29, 2001.

LIQUIDITY AND CAPITAL RESOURCES

The Company has satisfied its cash requirements principally from internally generated cash flow and borrowings. The Company's need for funds is derived primarily from capital expenditures, acquisitions, new business development and working capital.

During the nine months ended December 29, 2001, the Company increased its cash balances, before the effect of exchange rates, by $11.4 million from operating, investing and financing activities, which represents an increase in cash of $10.5 million from the $0.9 million generated in the Company's operating, investing and financing activities during the nine months ended December 30, 2000. The $10.5 million of additional cash generated results from the additional $26.7 million provided by the Company's financing activities in 2001, $2.8 million less cash spent on investing activities, offset by $19.0 million of additional cash utilized by the Company's operating activities.

Operating Activities:

The Company generated $15.1 million in cash from operating activities during the nine months ended December 29, 2001 as compared to $34.1 million generated during the nine months ended December 30, 2000. The $19.0 million decrease in operating cash flow from fiscal year 2001 to fiscal year 2002 was mainly a result of a $15.0 million increase in inventories due to higher raw material, work in process and finished good levels needed to support higher sales and a $4.8 million decrease in net income adjusted for depreciation, amortization and other non cash items

The Company measures its performance using an operating cash flow metric defined as net income adjusted for depreciation, amortization and other non cash items; capital expenditures for property, plant and equipment together with the investment in Haemonetics equipment at customer sites, including sales type leases; and the change in operating working capital, including change in accounts receivable, inventory, accounts payable and accrued expenses, excluding tax accounts and the effects of currency translation. This alternative measure of operating cash flows is a non-GAAP measure that may not be comparable to similarly titled measures reported by other companies. It is intended to assist readers of the report who employ "free cash flow" and similar measures that do not include tax assets and liabilities, equity investments and other sources and uses that are outside the day to day activities of a Company.

As measured by the Company's operating cash flow metric, the Company generated $21.0 million and $33.8 million of operating cash during the nine months ended December 29, 2001 and December 30, 2000, respectively. The $21.0 million of operating cash flow generated for the nine months ended December 29, 2001 resulted from $32.4 million of net income before a $10.0 million cash payment made by the Company in the current year to acquire rights to a technology currently under development, $7.4 million from the reduction of the Company's net investment in property, plant and equipment and sales type leases offset by $18.8 million from increased working capital investment, primarily due to higher inventories and higher accounts receivable. The $33.8 million of operating cash generated for the nine months ended December 30, 2000 was calculated excluding the $26.6 million of cash spent to acquire Transfusion Technologies. The $33.8 million of operating cash flow resulted from $25.3 million of net income adjusted for non cash items, $3.0 million from reduced working capital investment, primarily due to lower inventories partly offset by higher accounts receivable and lower accrued payables and payroll, and $11.5 million from the reduction of the Company's net investment in property, plant and equipment and sales type leases. The working capital and capital investment components of the Company's operating cash flow metric have been adjusted by non-cash transfers (transfers from inventory to property, plant and equipment), which amounted to approximately $3.5 million and $5.3 million during the nine month periods for 2001 and 2000, respectively.

Investing Activities

The Company utilized $26.4 million in cash for investing activities during the nine months ended December 29, 2001, a decrease of $2.8 million from the same period a year ago. The decreased utilization of cash is largely due to the Company's prior year acquisition of Transfusion Technologies for $26.6 million offset by current year increases in the Company's investments into available for sale securities and plant property and equipment assets.

Financing Activities

During the nine months ended December 29, 2001, the Company generated $26.7 million more cash from its financing activities than during the nine months ended December 30, 2000 due to a $27.0 million increase in short-term credit agreements in 2001 as compared to 2000, a $10.1 million increase in cash from stock option exercises in 2001 and $4.7 million in cash savings as a result of the Company's decision not to purchase any treasury shares during the nine months ended December 29, 2001. These additional sources of cash were offset partially by the $5.7 million payment made in 2001 on the Company's senior notes and by the Company's refinancing of its Braintree headquarters real estate mortgage in 2000. The $27.0 million increase in short term credit agreements in 2001 as compared to 2000 was due largely to additional borrowings of $10.6 million in Japan in 2001 and $15.0 million in debt reductions in 2000 as the Company paid both the remaining $8.0 million balance on its Braintree Headquarter real estate mortgage and $7.0 million in Japanese short term debt. The level of cash generated from stock option exercises in the next months will be dependent on the Company's stock price.

At December 29, 2001, the Company had working capital of $172.6 million. This reflects an increase of $41.7 million in working capital from the nine months ended December 30, 2000.

Inflation

The Company does not believe that inflation has had a significant impact on the Company's results of operations for the periods presented. Historically, the Company believes it has been able to minimize the effects of inflation by improving its manufacturing and purchasing efficiency, by increasing employee productivity and by reflecting the effects of inflation in the selling prices of new products it introduces each year.

Cautionary Statement Regarding Forward Looking Information

Statements contained in this report, as well as oral statements made by the Company that are prefaced with the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," "designed" and similar expressions, are intended to identify forward looking statements regarding events, conditions and financial trends that may affect the Company's future plans of operations, business strategy, results of operations and financial position. These statements are based on the Company's current expectations and estimates as to prospective events and circumstances about which the Company can give no firm assurance. Further, any forward looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward looking statement to reflect events or circumstances after the date on which such statement is made. As it is not possible to predict every new factor that may emerge, forward looking statements should not be relied upon as a prediction of actual future financial condition or results. These forward looking statements, like any forward looking statements, involve risks and uncertainties that could cause actual results to differ materially from those projected or unanticipated. Such risks and uncertainties include technological advances in the medical field and the Company's ability to successfully implement products that incorporate such advances, product demand and market acceptance of the Company's products, regulatory uncertainties, the effect of economic conditions, the impact of competitive products and pricing, foreign currency exchange rates, changes in customers' ordering patterns, the effect of uncertainties in markets outside the U.S. (including Europe and Asia) in which the Company operates.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposures relative to market risk are due to foreign exchange risk and interest rate risk.

Foreign exchange risk

Approximately 62% of the Company's revenues are generated outside the U.S., yet the Company's reporting currency is the U.S. dollar. Foreign exchange risk arises because the Company engages in business in foreign countries in local currency. Exposure is partially mitigated by producing and sourcing product in local currency. Accordingly, whenever the U.S. dollar strengthens relative to the other major currencies, there is an adverse affect on the Company's results of operations and alternatively, whenever the U.S. dollar weakens relative to the other major currencies, there is a positive effect on the Company's results of operations.

It is the Company's policy to minimize, for a period of time, the unforeseen impact on its results of operations of fluctuations in foreign exchange rates by using derivative financial instruments known as forward contracts to hedge the anticipated cash flows from forecasted foreign currency denominated revenues. The Company also enters into forward contracts that settle within 35 days to hedge certain intercompany receivables denominated in foreign currencies. Actual gains and losses on all forward contracts are recorded in operations, offsetting the gains and losses on the underlying transactions being hedged. These derivative financial instruments are not used for trading purposes. The Company's primary foreign currency exposures in relation to the U.S. dollar are the Japanese Yen and the Euro.

At December 29, 2001, the Company had the following significant foreign exchange contracts to hedge the anticipated cash flows from forecasted foreign currency denominated revenues outstanding:

Currency	Local Currency	Contract Rate	Current FWD	Gain/(Loss)	Gain/(Loss)	Maturity
Euro	8,150,000	$0.918	7,153,427	$ 326,488	313,090	Jan-Mar 2002
Euro	7,450,000	$0.867	6,519,132	$ (59,417)	(56,056)	Apr-Jun 2002
Euro	7,600,000	$0.885	6,636,723	$ 91,892	86,351	Jul-Sept 2002
Euro	5,750,000	$0.876	5,016,840	$ 17,925	16,844	Oct-Dec 2002
Japanese Yen	1,775,000,000	113.0 per US$	13,593,646	$2,119,854	2,025,890	Jan-Mar 2002
Japanese Yen	1,750,000,000	116.5 per US$	13,466,196	$1,553,781	1,462,425	Apr-Jun 2002
Japanese Yen	1,850,000,000	118.7 per US$	14,318,015	$1,271,143	1,194,497	Jul-Sept 2002
Japanese Yen	1,300,000,000	119.9 per US$	10,122,140	$ 717,582	674,314	Oct-Dec 2002
		Total:	76,826,119	6,039,248	5,717,355	

The Company estimated the change in the fair value of all forward contracts assuming both a 10% strengthening and weakening of the U.S. dollar relative to all other major currencies. In the event of a 10% strengthening of the U.S. dollar, the change in fair value of all forward contracts would result in a $10.1 million unrealized gain; whereas a 10% weakening of the U.S. dollar would result in a $11.4 million unrealized loss.

Interest Rate Risk

Approximately 92% of the Company's long term debt is at fixed rates. Accordingly, a change in interest rates has an insignificant effect on the Company's interest expense. The fair value of the Company's long term debt, however, would change in response to interest rates movements due to its fixed rate nature. At December 29, 2001, the fair value of the Company's long term debt was approximately $3.2 million higher than the value of the debt reflected on the Company's financial statements. This higher fair market is primarily related to the $34.3 million,

~~7.05% fixed rate senior notes the Company holds. These notes collectively represent approximately 69% of the Company's outstanding long term borrowings at December 29, 2001. At December 30, 2000, the fair value of the Company's long term debt was approximately $4.3 million higher than the value of the debt reflected on the Company's consolidated financial statements.~~

~~Using a scenario analysis, the Company evaluated the impact on all long term maturities of changing the interest rate 10% from the rate levels that existed at December 29, 2001. The effect was a change in the fair value of the Company's long term debt, of approximately $0.8 million.~~

~~PART II   OTHER INFORMATION~~

~~Item 1.   Legal Proceedings~~

~~Not applicable.~~

~~Item 2.   Changes in Securities~~

~~Not applicable.~~

~~Item 3.   Defaults upon Senior Securities~~

~~Not applicable.~~

~~Item 4.   Submission of Matters to a Vote of Security Holders~~

~~Not applicable~~

~~Item 5.   Other Information~~

~~None~~

~~Item 6.   Exhibits and Reports on Form 8-K.~~

~~None~~

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HAEMONETICS CORPORATION

Date: February 6, 2002 By: /s/ James L. Peterson

James L. Peterson, President and Chief Executive Officer

Date: February 6, 2002 By: /s/ Ronald J. Ryan

Ronald J. Ryan, Senior Vice President and Chief Financial Officer, (Principal Accounting Officer)