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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarter ended: September 26, 2009

Commission File Number: 1-14041

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

Massachusetts (State or other jurisdiction of incorporation or organization)	**04-2882273** (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 ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☑	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes o No ☑

The number of shares of $.01 par value common stock outstanding as of September 26, 2009: 25,611,257

HAEMONETICS CORPORATION
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ITEM 1. FINANCIAL STATEMENTS

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

	Three months ended		Six months ended	
	September 26, 2009	September 27, 2008	September 26, 2009	September 27, 2008
Net revenues	$ 157,070	$ 145,919	$ 311,158	$ 290,035
Cost of goods sold	76,103	71,230	147,248	142,309
Gross profit	80,967	74,689	163,910	147,726
Operating expenses:				
Research, development and engineering	6,475	5,217	13,252	11,061
Selling, general and administrative	47,469	45,863	97,308	93,722
Total operating expenses	53,944	51,080	110,560	104,783
Operating income	27,023	23,609	53,350	42,943
Interest expense	(255)	(16)	(463)	(40)
Interest income	103	506	253	1,160
Other expense, net	(801)	(1,290)	(1,135)	(915)
Income before provision for income taxes	26,070	22,809	52,005	43,148
Provision for income taxes	8,020	8,002	15,882	14,000
Net income	**$** 18,050	**$** 14,807	**$** 36,123	**$** 29,148
Basic income per common share				
Net income	$ 0.70	$ 0.59	$ 1.41	$ 1.15
Income per common share assuming dilution				
Net income	$ 0.69	$ 0.57	$ 1.37	$ 1.11
Weighted average shares outstanding				
Basic	25,685	25,038	25,671	25,323
Diluted	26,321	25,917	26,273	26,218

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

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

	September 26, 2009 (Unaudited)	March 28, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 178,322	$ 156,721
Accounts receivable, less allowance of $2,968 at September 26, 2009 and $2,312 at March 28, 2009	118,668	113,598
Inventories, net	77,136	76,522
Deferred tax asset, net	10,485	7,190
Prepaid expenses and other current assets	21,514	28,362
Total current assets	406,125	382,393
Property, plant and equipment:		
Land, building and building improvements	45,009	42,540
Plant equipment and machinery	109,384	108,572
Office equipment and information technology	71,242	52,461
Haemonetics equipment	208,904	194,290
Total property, plant and equipment	434,539	397,863
Less: accumulated depreciation	(281,585)	(260,056)
Net property, plant and equipment	152,954	137,807
Other assets:		
Other intangibles, less amortization of $29,202 at September 26, 2009 and $25,508 at March 28, 2009	74,872	65,261
Goodwill	72,157	56,426
Deferred tax asset, long term	2,551	3,007
Other long-term assets	5,635	4,799
Total other assets	155,215	129,493
Total assets	$ 714,294	$ 649,693
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current maturities of long-term debt	$ 15,181	$ 695
Accounts payable	24,804	20,652
Accrued payroll and related costs	24,197	30,771
Accrued income taxes	7,135	2,833
Deferred tax liability	111	—
Other liabilities	41,395	37,912
Total current liabilities	112,823	92,863
Long-term debt, net of current maturities	4,974	5,343
Long-term deferred tax liability	3,702	3,129
Other long-term liabilities	13,363	8,474
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock, $0.01 par value; Authorized - 150,000,000 shares; Issued and outstanding— 25,611,257 shares at September 26, 2009 and 25,622,449 shares at March 28, 2009	256	256
Additional paid-in capital	235,792	226,829
Retained earnings	339,323	309,516
Accumulated other comprehensive income	4,061	3,283
Total stockholders' equity	579,432	539,884
Total liabilities and stockholders' equity	$ 714,294	$ 649,693

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

HAEMONETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND OTHER COMPREHENSIVE INCOME
(Unaudited in thousands)

	Common Stock Shares	Common Stock $'s	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Total Stockholders' Equity	Comprehensive Income
Balance, March 28, 2009	25,622	$ 256	$ 226,829	$ 309,516	$ 3,283	$ 539,884	
Employee stock purchase plan	33	—	1,484	—	—	1,484	
Exercise of stock options and related tax benefit	95	—	3,750	—	—	3,750	
Shares repurchased	(140)	—	(1,263)	(6,316)	—	(7,579)	
Stock Compensation expense	—	—	4,992	—	—	4,992	
Net income	—	—	—	36,123	—	36,123	$ 36,123
Foreign currency translation adjustment	—	—	—	—	6,055	6,055	6,055
Unrealized loss on hedges, net of tax	—	—	—	—	(4,263)	(4,263)	(4,263)
Reclassification of hedge gain to earnings, net of tax	—	—	—	—	(1,014)	(1,014)	(1,014)
Comprehensive income	—	—	—	—	—	—	$ 36,901
Balance, September 26, 2009	25,611	$ 256	$ 235,792	$ 339,323	$ 4,061	$ 579,432	

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

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

	Six Months Ended	
	September 26, 2009	September 27, 2008
Cash Flows from Operating Activities:		
Net income	$ 36,123	$ 29,148
Adjustments to reconcile net income to net cash provided by operating activities:		
Non cash items:		
Depreciation and amortization	20,699	18,083
Stock compensation expense	4,992	4,542
Loss on sales of plant, property and equipment	147	1,102
Unrealized (gain)/loss from hedging activities	(2,145)	3,706
Accretion of interest expense on contingent consideration	408	—
Change in operating assets and liabilities:		
Decrease/(increase) in accounts receivable, net	1,786	(7,350)
Decrease/(increase) in inventories	2,071	(7,847)
Decrease/(increase) in prepaid income taxes	5,907	(267)
Increase in other assets and other long-term liabilities	(1,204)	(11,105)
Tax benefit of exercise of stock options	177	2,131
(Decrease)/increase in accounts payable and accrued expenses	(7,482)	9,634
Net cash provided by operating activities	61,479	41,777
Cash Flows from Investing Activities:		
Capital expenditures on property, plant and equipment	(32,880)	(28,775)
Proceeds from sale of property, plant and equipment	383	2,497
Acquisition of SEBRA	(12,845)	—
Acquisition of Neoteric	(6,613)	—
Acquisition of Medicell	(307)	(2,459)
Net cash used in investing activities	(52,261)	(28,737)
Cash Flows from Financing Activities:		
Payments on long-term real estate mortgage	(369)	(340)
Net increase in short-term revolving credit agreements	13,578	2,100
Employee stock purchase plan	1,484	1,396
Exercise of stock options	3,388	17,598
Excess tax benefit on exercise of stock options	157	5,419
Share repurchase	(6,331)	(59,998)
Net cash provided by/(used in) financing activities	11,907	(33,825)
Effect of exchange rates on cash and cash equivalents	476	(1,437)
Net Increase/(Decrease) in Cash and Cash Equivalents	21,601	(22,222)
Cash and Cash Equivalents at Beginning of Year	156,721	133,553
Cash and Cash Equivalents at End of Period	$ 178,322	$ 111,331
Non-cash Investing and Financing Activities:		
Transfers from inventory to fixed assets for placements of Haemonetics equipment	$ 2,809	$ 4,984
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$ 283	$ 275
Income taxes paid	$ 6,360	$ 7,394

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

1. BASIS OF PRESENTATION

Our accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of our management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All significant intercompany transactions have been eliminated. Certain reclassifications were made to prior year balances to conform with the presentation of the financial statements for the six months ended September 26, 2009. Operating results for the six month period ended September 26, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year ending April 3, 2010, or any other interim period. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements and footnotes included in our annual report on Form 10-K for the fiscal year ended March 28, 2009.

Our fiscal year ends on the Saturday closest to the last day of March. Fiscal year 2010 includes 53 weeks with each of the first three quarters having 13 weeks and the fourth quarter having 14 weeks. Fiscal year 2009 included 52 weeks with all four quarters having 13 weeks.

Revenue Recognition

Our revenue recognition policy is to recognize revenues from product sales, software and services in accordance with ASC Topic 605, *Revenue Recognition* (formerly known as SAB No. 104, *Revenue Recognition,* and as EITF 00-21, *Revenue Arrangements with Multiple Deliverables*), and ASC Topic 985-605, *Software* (formerly known as Statement of Position 97-2, *Software Revenue Recognition, as amended*). These standards require that revenues are recognized when persuasive evidence of an arrangement exists, product delivery, including customer acceptance, has occurred or services have been rendered, the price is fixed or determinable and collectibility is reasonably assured. When more than one element such as equipment, disposables and services are contained in a single arrangement, we allocate revenue between the elements based on each element’s relative fair value, provided that each element meets the criteria for treatment as a separate unit of accounting. An item is considered a separate unit of accounting if it has value to the customer on a stand alone basis and there is objective and reliable evidence of the fair value of the undelivered items. The fair value of the undelivered elements is determined by the price charged when the element is sold separately, or in cases when the item is not sold separately, by using vendor specific objective evidenced under ASC Topic 985-605 or other objective evidence as defined in ASC Topic 605.

Product Revenues

Product sales consist of the sale of our equipment devices and the related disposables used with these devices. On product sales to end customers, revenue is recognized when both the title and risk of loss have transferred to the customer as determined by the shipping terms and all obligations have been completed. Examples of common post delivery obligations are installation and training. For product sales to distributors, we recognize revenue for both equipment and disposables upon shipment of these products to our distributors. Our standard contracts with our distributors state that title to the equipment passes to the distributors at point of shipment to a distributor’s location. The distributors are responsible for shipment to the end customer along with installation, training and acceptance of the equipment by the end customer. All shipments to distributors are at contract prices and payment is not contingent upon resale of the product.

Software Solutions Revenues

At this time, our software solutions business principally provides support to our plasma and blood collection customers and hospitals. Through our Haemonetics Software Solutions unit, we provide information technology platforms and technical support for donor recruitment, blood and plasma testing laboratories, and for efficient and compliant operations of blood and plasma collection centers. For plasma customers, we also provide information technology platforms for managing distribution of plasma from collection centers to plasma fractionation facilities. Software license revenues are generally billed periodically, monthly or quarterly and recognized for the period for which the service is provided. Our software solutions business model includes the provision of services, including in some instances hosting, technical support, and maintenance, for the payment of periodic, monthly or quarterly fees. We recognize these fees and charges as earned, typically as these services are provided during the contract period.

Subsequent Events

The company has evaluated subsequent events through November 4, 2009 (the date the unaudited financial statements were issued) and has determined that there were no recognized and no non-recognized events to be disclosed.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In October 2009, the FASB issued Accounting Standards Update No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, an amendment to FASB ASC topic 605, *Revenue Recognition*, and Update No. 2009-14, *Certain Revenue Arrangements That Include Software Elements*, an amendment to FASB ASC subtopic 985-605, *Software — Revenue Recognition*, (the "Updates"). The Updates provide guidance on arrangements that include software elements, including tangible products that have software components that are essential to the functionality of the tangible product and will no longer be within the scope of the software revenue recognition guidance, and software-enabled products that will now be subject to other relevant revenue recognition guidance. The Updates provide authoritative guidance on revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. The Updates also include new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. The Updates must be adopted in the same period using the same transition method and are effective prospectively, with retrospective adoption permitted, for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is also permitted; however, early adoption during an interim period requires retrospective application from the beginning of the fiscal year. The Company is currently assessing the timing and method of adoption, as well as the possible impact of this guidance on its financial position and results of operations.

In June 2009, the FASB issued requirements under FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162*. The FASB Accounting Standards Codification (ASC) will become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. FASB Statement No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. This statement became effective during our second quarter of fiscal year 2010 and its impact is reflected in our financial position and results of operation for the six months ended September 26, 2009.

Under ASC Topic 805, *Business Combinations* (formerly known as FASB Statement No. 141(R), *Business Combinations*), the FASB requires that all business combinations use the acquisition method (formerly the purchase method) and that an acquiring entity be identified in all business combinations. ASC Topic 805 also requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. This statement became effective for our fiscal year 2010 and its impact is reflected in our financial position and results of operations for the six months ended September 26, 2009. The Company's acquisition of L'Attitude Medical Systems, Inc. ("Neoteric") and asset acquisition of the blood collection and processing business unit ("SEBRA") of Engineering and Research Associates, Inc. during the first six months of fiscal year 2010 were both accounted for in accordance to the requirements of ASC Topic 805 — see Note 9.

3. EARNINGS PER SHARE ("EPS")

The following table provides a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations. Basic EPS is computed by dividing net income by weighted average shares outstanding. Diluted EPS includes the effect of potentially dilutive common shares.

	For the Three Months Ended	
	September 26, 2009	September 27, 2008
	(in thousands, except per share amounts)	
Basic EPS		
Net income	$ 18,050	$ 14,807
Weighted average shares	25,685	25,038
Basic income per share	$ 0.70	$ 0.59
Diluted EPS		
Net income	$ 18,050	$ 14,807
Basic weighted average shares	25,685	25,038
Net effect of common stock equivalents	636	879
Diluted weighted average shares	26,321	25,917
Diluted income per share	$ 0.69	$ 0.57

	For the Six Months Ended	
	September 26, 2009	September 27, 2008
	(in thousands, except per share amounts)	
Basic EPS		
Net income	$ 36,123	$ 29,148
Weighted average shares	25,671	25,323
Basic income per share	$ 1.41	$ 1.15
Diluted EPS		
Net income	$ 36,123	$ 29,148
Basic weighted average shares	25,671	25,323
Net effect of common stock equivalents	601	895
Diluted weighted average shares	26,273	26,218
Diluted income per share	$ 1.37	$ 1.11

Weighted average shares outstanding, assuming dilution, excludes the impact of 0.8 million stock options for both the second quarter and first six months of fiscal year 2010 and 0.4 million stock options for both the second quarter and first six months of fiscal year 2009 because these securities were anti-dilutive during the noted periods.

4. STOCK-BASED COMPENSATION

Stock-based compensation expense of $5.0 and $4.5 million was recognized for the six months ended September 26, 2009 and September 27, 2008, respectively. The related income tax benefit recognized was $1.5 and $1.3 million for the six months ended September 26, 2009 and September 27, 2008, respectively. We recognize stock-based compensation on a straight line basis.

For a more detailed description of our stock-based compensation plans, see Note 11—Capital Stock to the Company's consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 28, 2009. Our stock-based compensation plans currently consist of stock options, restricted stock awards, restricted stock units and an employee stock purchase plan. Options become exercisable in the manner specified by the Compensation Committee of our Board of Directors. All options, restricted stock awards and restricted stock units granted to employees in the six months ended September 26, 2009 vest over a four year period of time and the options expire not more than 7 years from the date of grant.

Cash flows relating to the benefits of tax deductions in excess of compensation cost recognized are reported as a financing cash flow, rather than as an operating cash flow. This excess tax benefit was $0.1 million and $4.1 million for the three months ended September 26, 2009 and September 27, 2008, respectively, and $0.2 million and $5.4 million for the six months ended September 26, 2009 and September 27, 2008, respectively.

A summary of information related to stock options is as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($000's)
Outstanding at March 28, 2009	3,054,724	$ 42.54	4.23	$ 37,601
Granted	32,845	55.37		
Exercised	(32,462)	28.00		
Forfeited	(6,716)	49.75		
Outstanding at June 27, 2009	3,048,391	$ 42.82	4.03	$ 43,917
Granted	52,594	59.27		
Exercised	(62,728)	39.13		
Forfeited	(24,516)	51.83		
Outstanding at September 26, 2009	3,013,741	$ 43.11	3.75	$ 38,595
Exercisable at September 26, 2009	2,152,545	$ 39.05	3.13	$ 36,133
Vested or expected to vest at September 26, 2009	2,830,088	$ 42.48	3.66	$ 38,006

The total intrinsic value of options exercised during the three month periods ended September 26, 2009 and September 27, 2008, was $1.0 million and $16.4 million, respectively, and $1.6 million and $22.6 million for the six month periods ended September 26, 2009 and September 27, 2008, respectively.

As of September 26, 2009 and September 27, 2008, there was $9.1 million and $11.0 million, respectively, of total unrecognized compensation cost related to non vested stock options. That cost is expected to be recognized over a weighted average period of 2.3 years and 1.9 years, respectively. The total fair value of shares fully vested during the six months ended September 26, 2009 was $18.0 million and during the six months ended September 27, 2008 was $26.6 million.

The weighted average fair value for our options granted in the first six months of fiscal year 2010 and 2009 was $17.54 and $18.07, respectively. The assumptions utilized for option grants during the periods presented are as follows:

	Six Months Ended	
	September 26, 2009	September 27, 2008
Stock Options Black-Scholes assumptions (weighted average):		
Volatility	28.29%	29.07%
Expected life (years)	4.9	4.9
Risk-free interest rate	2.71%	3.26%
Dividend yield	0.00%	0.00%

As of September 26, 2009 and September 27, 2008, there was $0.2 and $0.4 million, respectively, of total unrecognized compensation cost related to non vested restricted stock awards. That cost is expected to be recognized over a weighted average period of 1.6 years and 2.2 years, respectively. The total fair value of restricted stock awards vested was $0.0 million for the six months ended September 26, 2009 and $0.1 million for the six months ended September 27, 2008.

A summary of information related to restricted stock awards is as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at March 28, 2009	10,956	$ 50.97
Released	(2,500)	$ 48.09
Nonvested at June 27, 2009	8,456	$ 51.82
Canceled	(3,456)	$ 57.22
Nonvested at September 26, 2009	5,000	$ 48.09

As of September 26, 2009 and September 27, 2008, there was $3.6 million and $2.1 million, respectively, of total unrecognized compensation cost related to non vested restricted stock units. That cost is expected to be recognized over a weighted average period of 2.3 years and 3.0 years, respectively. The total fair value of shares fully vested was $0.2 million and $0.1 million for the six months ended September 26, 2009 and September 27, 2008, respectively.

A summary of information related to restricted stock units is as follows:

	Shares	Weighted Average Market Value at Grant Date
Nonvested at March 28, 2009	102,302	$ 53.48
Granted	2,501	$ 54.09
Vested	(289)	$ 52.69
Forfeited	(598)	$ 52.66
Nonvested at June 27, 2009	103,916	$ 53.50
Granted	6,716	$ 58.98
Vested	(3,324)	$ 59.11
Forfeited	(2,639)	$ 51.89
Nonvested at September 26, 2009	104,669	$ 53.88

As of September 26, 2009 and September 27, 2008, there was $0.2 million and $0.3 million, respectively, of total unrecognized compensation expense, net of estimated forfeitures, related to the Employee Stock Purchase Plan (“ESPP”) shares. That cost is expected to be recognized over the remainder of fiscal year 2010 and fiscal year 2009, respectively.

During the six months ended September 26, 2009 and September 27, 2008, there were 33,183 and 31,474 shares purchased under the ESPP, respectively. They were purchased at $43.89 and $44.35 per share under the ESPP, respectively.

5. ACCOUNTING FOR SHIPPING AND HANDLING COSTS

Shipping and handling costs are included in cost of goods sold with the exception of $5.9 million and $4.4 million for the six months ended September 26, 2009 and September 27, 2008, respectively, that are included in selling, general, and administrative expenses. Freight is classified in cost of goods sold when the customer is charged for freight and in selling, general and administration when the customer is not explicitly charged for freight.

6. PRODUCT WARRANTIES

We provide a warranty on parts and labor for one year after the sale and installation of each device. We also warrant our disposables products through their use or expiration. We estimate our potential warranty expense based on our historical warranty experience, and we periodically assess the adequacy of our warranty accrual and make adjustments as necessary.

	For the three months ended	
	September 26, 2009	September 27, 2008
	(in thousands)	
Warranty accrual as of the beginning of the period	$ 1,875	$ 960
Warranty provision	242	341
Warranty spending	(392)	(309)
Warranty accrual as of the end of the period	$ 1,725	$ 992

	For the six months ended	
	September 26, 2009	September 27, 2008
	(in thousands)	
Warranty accrual as of the beginning of the period	$ 1,835	$ 929
Warranty provision	633	876
Warranty spending	(743)	(813)
Warranty accrual as of the end of the period	$ 1,725	$ 992

7. COMPREHENSIVE INCOME

Comprehensive income is the total of net income and all other non-owner changes in stockholders' equity. Other non-owner changes are primarily foreign currency translation, the change in our net minimum pension liability, and the changes in fair value of the effective portion of our outstanding cash flow hedge contracts.

A summary of the components of other comprehensive income is as follows:

	For the three months ended	
(In thousands)	**September 26, 2009**	**September 27, 2008**
Net income	$ 18,050	$ 14,807
Other comprehensive income:		
Foreign currency translation	3,424	(4,153)
Unrealized (loss)/gain on cash flow hedges, net of tax	(3,255)	1,783
Reclassifications into earnings of cash flow hedge losses, net of tax	106	1,345
Total comprehensive income	$ 18,325	$ 13,782

	For the six months ended	
(In thousands)	**September 26, 2009**	**September 27, 2008**
Net income	$ 36,123	$ 29,148
Other comprehensive income:		
Foreign currency translation	6,055	(5,655)
Unrealized (loss)/gain on cash flow hedges, net of tax	(4,263)	4,690
Reclassifications into earnings of cash flow hedge (gains)/losses, net of tax	(1,014)	3,938
Total comprehensive income	$ 36,901	$ 32,121

8. 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.

	September 26, 2009	March 28, 2009
	(in thousands)	
Raw materials	$ 25,993	$ 23,778
Work-in-process	4,902	8,732
Finished goods	46,241	44,012
	$ 77,136	$ 76,522

9. GOODWILL, OTHER INTANGIBLE ASSETS, AND ACQUISITIONS

Goodwill

The change in the carrying amount of our goodwill during the six months ended September 26, 2009 is as follows (in thousands):

Carrying amount as of March 28, 2009	$ 56,426
SEBRA (a)	5,272
L'Attitude Medical Systems Inc. (Neoteric) (b)	8,409
Altivation Software Inc. (c)	523
Medicell Ltd. (d)	583
Effect of change in rates used for translation	944
Carrying amount as of September 26, 2009	$ 72,157

(a) A description of the acquisition of SEBRA®, which occurred on September 4, 2009, is included later in this footnote.

(b) A description of the acquisition of L'Attitude Medical Systems, Inc. ("Neoteric"), which occurred on April 16, 2009, is included later in this footnote.

(c) See Note 3, Acquisitions, in our fiscal year 2009 Form 10-K for a full description of the acquisition of Altivation Software ("Altivation"), which occurred on March 27, 2009.

(d) See Note 3, Acqusitions, in our fiscal year 2009 Form 10-K for a full description of the acquisition of Medicell Ltd. ("Medicell"), which occurred on April 4, 2008.

Other Intangible Assets

As of September 26, 2009	Gross Carrying Amount (in thousands)	Accumulated Amortization (in thousands)	Weighted Average Useful Life (in years)
Patents	$ 12,107	$ 5,455	11
Capitalized software	21,487	749	6
Other technology	39,016	12,729	10
Customer contracts and related relationships	30,350	9,859	12
Trade names	1,114	410	7
Total intangibles	$ 104,074	$ 29,202	10

As of March 28, 2009	Gross Carrying Amount (in thousands)	Accumulated Amortization (in thousands)	Weighted Average Useful Life (in years)
Patents	$ 12,008	$ 4,945	11
Capitalized software	18,994	572	6
Other technology	28,784	11,501	10
Customer contracts and related relationships	29,886	8,240	12
Trade names	1,097	250	7
Total intangibles	$ 90,769	$ 25,508	11

On September 4, 2009, Haemonetics acquired the assets of the blood collection and processing business unit ("SEBRA") of Engineering and Research Associates, Inc., a leading provider of blood and medical manufacturing technologies. SEBRA products, which include tubing sealers, blood shakers, sterile connection systems, mobile lounges and ancillary products used in blood collection and processing, complement Haemonetics' portfolio and add even greater depth to Haemonetics Blood Bank and Plasma product lines. The acquisition will give Haemonetics entry into the whole blood collection market, an important strategic position as Haemonetics prepares to enter this market with an automated whole blood collection system in early calendar 2011. The purchase price was $12.8 million.

The purchase price was allocated to other intangible assets of $5.3 million, trade accounts receivables of $1.0 million, inventory of $1.2 million, and goodwill of $5.3 million. The Company is still in the process of evaluating the information necessary to determine the fair value of the assets and liabilities acquired. The preliminary purchase price allocation will be finalized once the Company has completed this evaluation, which will occur not later than one year from the acquisition date. The results of the SEBRA operations are included in our consolidated results for periods after the acquisition.

On April 16, 2009, Haemonetics acquired the outstanding shares of L'Attitude Medical Systems Inc. ("Neoteric"). Neoteric is a medical information management company that markets a full end-to-end suite of products to track, allocate, release, and dispense hospital blood units while controlling inventory and recording the disposition of blood. The acquisition strategically broadened Haemonetics' blood management solutions. The purchase price was $6.7 million plus contingent consideration.

The contingent consideration is based upon annual revenue growth for the three years following the acquisition, at established profitability thresholds. Using projected revenues for fiscal years 2010, 2011, and 2012, an analysis was performed that probability weighted three performance outcomes for the noted years. The performance outcomes were then discounted using a discount rate commensurate with the risks associated with Neoteric to arrive at a recorded $5.0 million fair value for the contingent consideration.

The contingent consideration is based upon future operating performance and is not contractually limited. The purchase price was allocated to other intangible assets of $5.0 million, deferred tax liabilities of $1.6 million, and goodwill of $8.4 million. The Company is still in the process of evaluating the information necessary to determine the fair value of the assets and liabilities acquired. The preliminary purchase price allocation will be finalized once the Company has completed this evaluation, which will occur not later than one year from the acquisition date. The results of the Neoteric operations are included in our consolidated results for periods after the acquisition and $0.4 million of interest expense has been recorded relating to the accretion of the noted contingent consideration for the first six months of fiscal year 2010.

In addition to the acquisition of SEBRA and Neoteric discussed above, changes to the net carrying value of our intangible assets from March 28, 2009 to September 26, 2009, reflect the capitalization of software costs associated with our devices and software products (see Note 16), amortization expense and the effect of exchange rate changes in the translation of our intangible assets held by our international subsidiaries.

Amortization expense for amortized intangible assets was $1.8 million and $1.5 million for the three months ended September 26, 2009 and September 27, 2008, respectively, and $3.6 and $3.0 for the six months ended September 26, 2009 and September 27, 2008, respectively. Annual amortization expense is expected to approximate $8.1 million for fiscal year 2010, $8.1 million for fiscal year 2011, $7.6 million for fiscal year 2012, $7.5 million for fiscal year 2013, and $8.1 million for fiscal year 2014.

10. DERIVATIVES AND FAIR VALUE MEASUREMENTS

We manufacture, market and sell our products globally. Approximately 52% of our sales are generated outside the U.S. in local currencies. We also incur certain manufacturing, marketing and selling costs in international markets in local currency. Accordingly, our earnings and cash flows are exposed to market risk from changes in foreign currency exchange rates relative to the U.S. dollar, our reporting currency.

We have a program in place that is designed to mitigate our exposure to changes in foreign currency exchange rates. That program includes the use of derivative financial instruments to minimize for a period of time, the unforeseen impact on our financial results from changes in foreign exchange rates. We utilize forward foreign currency contracts to hedge the anticipated cash flows from transactions denominated in foreign currencies, primarily the Japanese Yen and the Euro, and to lesser extent the Great British Pound Sterling and the Canadian Dollar. This does not eliminate the volatility of foreign exchange rates, but because we generally enter into forward contracts one year out, rates are fixed for a one-year period, thereby facilitating financial planning and resource allocation.

Designated Foreign Currency Hedge Contracts

All of our designated foreign currency hedge contracts as of September 26, 2009 and March 28, 2009 were cash flow hedges under ASC Topic 815, *Derivatives and Hedging* (formerly known as FASB Statement No. 133). We record the effective portion of any change in the fair value of designated foreign currency hedge contracts in other comprehensive income (OCI) in the Statement of Stockholders' Equity until the related third-party transaction occurs. Once the related third-party transaction occurs, we reclassify the effective portion of any related gain or loss on the designated foreign currency hedge contracts to earnings. In the event the hedged forecasted transaction does not occur, or it becomes probable that it will not occur, we would reclassify the amount of any gain or loss on the related cash flow hedge to earnings at that time. We had designated foreign currency hedge contracts outstanding in the contract amount of $131.6 million as of September 26, 2009 and $117.4 million as of March 28, 2009.

During the second quarter of fiscal year 2010, we recognized net gains of $1.0 million in earnings on our cash flow hedges. All currency cash flow hedges outstanding as of September 26, 2009 mature within twelve months. For the quarter ended September 26, 2009, $4.3 million of losses, net of tax, were recorded in OCI to recognize the effective portion of the fair value of any designated foreign currency hedge contracts that are, or previously were, designated as foreign currency cash flow hedges, as compared to net gains of $4.7 million as of September 27, 2008. For the quarter ended September 26, 2009, $4.3 million of losses, net of tax, may be reclassified to earnings within the next twelve months.

Non-designated Foreign Currency Contracts

We manage our exposure to changes in foreign currency on a consolidated basis to take advantage of offsetting transactions and balances. We use currency forward contracts as a part of our strategy to manage exposure related to foreign currency denominated monetary assets and liabilities. These currency forward contracts are not designated as cash flow or fair value hedges under ASC Topic 815. These forward contracts are marked-to-market with changes in fair value recorded to earnings; and are entered into for periods consistent with currency transaction exposures, generally one month. We had non-designated foreign currency hedge contracts under Statement No. 133 outstanding in the contract amount of $37.8 million as of September 26, 2009 and $51.6 million as of March 28, 2009.

Fair Value of Derivative Instruments

The following table presents the effect of our derivative instruments designated as cash flow hedges and those not designated as hedging instruments under ASC Topic 815 in our consolidated statement of income for the six months ended September 26, 2009.

Derivative Instruments	Amount of Loss Recognized in OCI (Effective Portion)	Amount of Gain Reclassified from OCI into Earnings (Effective Portion)	Location in Statement of Operations	Amount Excluded from Effectiveness Testing (*)	Location in Statement of Operations
(in thousands)					
Designated foreign currency hedge contracts	$ (4,263)	$ 1,014	Net revenues	$ 410	Other income
Non-designated foreign currency hedge contracts	—	—		(2,385)	Other expense
	$ (4,263)	$ 1,014		$ (1,975)	

(*) We exclude the difference between the spot rate and hedge forward rate from our effectiveness testing.

We did not have fair value hedges or net investment hedges outstanding as of September 26, 2009 or March 28, 2009.

ASC Topic 815 requires all derivative instruments to be recognized at their fair values as either assets or liabilities on the balance sheet. We determine the fair value of our derivative instruments using the framework prescribed by ASC Topic 820, *Fair Value Measurements and Disclosures* (formerly known as FASB Statement No. 157, *Fair Value Measurements*), by considering the estimated amount we would receive or pay to sell or transfer these instruments at the reporting date and by taking into account current interest rates, currency exchange rates, the creditworthiness of the counterparty for assets, and our creditworthiness for liabilities. In certain instances, we may utilize financial models to measure fair value. Generally, we use inputs that include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; other observable inputs for the asset or liability; and inputs derived principally from, or corroborated by, observable market data by correlation or other means. As of September 26, 2009, we have classified our derivative assets and liabilities within Level 2 of the fair value hierarchy prescribed by ASC Topic 815, as discussed below, because these observable inputs are available for substantially the full term of our derivative instruments.

The following tables present the fair value of our derivative instruments as they appear in our consolidated balance sheets as of September 26, 2009 by type of contract and whether it is a qualifying hedge under Statement No. 133.

(in thousands)	Location in Balance Sheet	Balance as of September 26, 2009	Balance as of March 28, 2009
Derivative Assets:			
Designated foreign currency hedge contracts	Other current assets	$ 1,494	$ 3,936
		$ 1,494	**$ 3,936**
Derivative Liabilities:			
Designated foreign currency hedge contracts	Other accrued liabilities	$ 7,099	$ 2,914
		$ 7,099	**$ 2,914**

Other Fair Value Measurements

We adopted ASC Topic 820, *Fair Value Measurements and Disclosures* (formerly known as FASB Statement No. 157, *Fair Value Measurement*) as of March 30, 2008. ASC Topic 820 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. ASC Topic 820 does not require any new fair value measurements; rather, it applies to other accounting pronouncements that require or permit fair value measurements. In accordance with ASC Topic 820, for the six months ended September 26, 2009, we applied the requirements under ASC Topic 820 to our non-financial assets and non-financial liabilities. As we did not have an impairment of any non-financial assets or non-financial liabilities, there was no disclosure required relating to our non-financial assets or non-financial liabilities.

On a recurring basis, we measure certain financial assets and financial liabilities at fair value, including our money market funds, foreign currency derivative contracts, and contingent consideration. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. We base fair value upon quoted market prices, where available. Where quoted market prices or other observable inputs are not available, we apply valuation techniques to estimate fair value.

ASC Topic 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The categorization of assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy are defined as follows:

- Level 1 — Inputs to the valuation methodology are quoted market prices for identical assets or liabilities.
- Level 2 — Inputs to the valuation methodology are other observable inputs, including quoted market prices for similar assets or liabilities and market-corroborated inputs.
- Level 3 — Inputs to the valuation methodology are unobservable inputs based on management's best estimate of inputs market participants would use in pricing the asset or liability at the measurement date, including assumptions about risk.

Our money market funds carried at fair value are generally classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

We recognize all derivative financial instruments in our consolidated financial statements at fair value in accordance with ASC Topic 815, *Derivatives and Hedging* (formerly known as FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*). We determine the fair value of these instruments using the framework prescribed by ASC Topic 820 by considering the estimated amount we would receive or pay to terminate these agreements at the reporting date and by taking into account current spot rates, the creditworthiness of the counterparty for assets, and our creditworthiness for liabilities. We have classified our foreign currency hedge contracts within Level 2 of the fair value hierarchy because these observable inputs are available for substantially the full term of our derivative instruments. For the quarter ended September 26, 2009, we have classified our other liabilities — contingent consideration relating to our acquisition of Neoteric within Level 3 of the fair value hierarchy because the value is determined using significant unobservable inputs.

Fair Value Measured on a Recurring Basis

Financial assets and financial liabilities measured at fair value on a recurring basis consist of the following as of September 26, 2009:

(in thousands)	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Money market funds	$ 152,376	$ —	$ —	$ 152,376
Forward currency exchange contracts	—	1,494	—	1,494
	$ 152,376	$ 1,494	$ —	$ 153,870
Liabilities				
Forward currency exchange contracts	$ —	$ 7,099	$ —	$ 7,099
Other liabilities — contingent consideration	—	—	5,396	5,396
	$ —	$ 7,099	$ 5,396	$ 12,495

A description of the methods used to determine the fair value of the Level 3 liabilities (other liabilities — contingent consideration) is included within Note 9 — Goodwill, Other Intangible Assets, and Acquisitions. The table below provides a reconciliation of the beginning and ending Level 3 liabilities for the six months ended September 26, 2009.

(in thousands)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning balance	$ —
Transfers into Level 3	4,988
Change in value	408
Ending balance	$ 5,396

Statement No. 159

In February 2007, the FASB issued ASC Topic 825, *Financial Instruments* (formerly known as FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115*) which allows an entity to elect to record financial assets and financial liabilities at fair value upon their initial recognition on a contract-by-contract basis. We adopted ASC Topic 825 as of March 30, 2008 and did not elect the fair value option for our eligible financial assets and financial liabilities.

Other Fair Value Disclosures

The fair value of our long-term debt obligations was $5.6 million and $6.5 million at September 26, 2009 and September 27, 2008, respectively.

11. INCOME TAXES

Our reported tax rate includes two principal components: an expected effective annual tax rate and discrete items resulting in additional provisions or benefits that are recorded in the quarter that an event arises. Events or items that give rise to discrete recognition include finalizing audit examinations for open tax years or a statute of limitation's expiration.

The reported tax rate was 30.8% for the three months ended September 26, 2009. The reported tax rate includes:

- Our expected annual effective tax rate of 31.1%, comprised of the U.S. federal statutory tax rate of 35.0% reduced by tax benefits from foreign taxes (including our Swiss principal) and a domestic manufacturing deduction, plus the state tax provision, and stock compensation expenses not deductible in all jurisdictions; and

The following discrete items:

- A $0.7 million benefit (on an annual basis) from the remittance of Japanese earnings.
- A $0.1 million cost from foreign tax assessments.

The reported tax rate was 35.1% for the three months ended September 27, 2008. The reported tax rate equaled the expected effective annual tax rate which reflected tax benefits from foreign taxes and a domestic manufacturing deduction, offset in part by the state tax provision, and stock compensation expense not deductible in all jurisdictions.

The reported tax rate was 30.5% for the six months ended September 26, 2009. The reported tax rate includes:

- Our expected annual effective tax rate of 31.1%, comprised of the U.S. federal statutory rate of 35.0% reduced by tax benefits from foreign taxes (including our Swiss principal) and a domestic manufacturing deduction, plus the state tax provision, and stock compensation expenses not deductible in all jurisdictions; and

The following discrete items:

- A $0.7 million benefit (on an annual basis) from the remittance of Japanese earnings.
- A $0.1 million cost from foreign tax assessments.

The reported tax rate was 32.4% for the six months ended September 27, 2008. The reported tax rate included:

- A 35.1% expected effective annual tax rate which reflects tax benefits from foreign taxes and a domestic manufacturing deduction, offset in part by the state tax provision, and stock compensation expenses not deductible in all jurisdictions. The reported tax rate also included a $1.1 million reversal of previously accrued income taxes because of the expiration of the statute of limitations.

We conduct business globally and, as a result, file consolidated federal and separate state and foreign income tax returns in multiple jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world in jurisdictions including the U.S., Japan, Germany, France, the United Kingdom, and Switzerland. With few exceptions, we are no longer subject to U.S. federal, state and local, or foreign income tax examinations for years before 2006.

12. COMMITMENTS AND CONTINGENCIES

We are presently engaged in various legal actions, and although ultimate liability cannot be determined at the present time, we believe, based on consultation with counsel, that any such liability will not materially affect our consolidated financial position or our results of operations.

13. DEFINED BENEFIT PENSION PLANS

Certain of the Company's foreign subsidiaries have defined benefit pension plans covering substantially all full time employees at those subsidiaries. Net periodic benefit costs for the plans in the aggregate include the following components:

	For the three months ended	
	September 26, 2009	September 27, 2008
	(in thousands)	
Service cost	$ 124	$ 150
Interest cost on benefit obligation	61	66
Expected return on plan assets	(15)	(19)
Amortization of unrecognized prior service cost, unrecognized gain and unrecognized initial obligation	(10)	(4)
Net periodic benefit cost	$ 160	$ 193

	For the six months ended	
	September 26, 2009	September 27, 2008
	(in thousands)	
Service cost	$ 248	$ 300
Interest cost on benefit obligation	122	132
Expected return on plan assets	(30)	(38)
Amortization of unrecognized prior service cost, unrecognized gain and unrecognized initial obligation	(20)	(8)
Net periodic benefit cost	$ 320	$ 386

14. SEGMENT INFORMATION

Segment Definition Criteria

We manage our business on the basis of one operating segment: the design, manufacture and marketing of automated blood processing systems. Our chief operating decision-maker uses consolidated results to make operating and strategic decisions. Manufacturing processes, as well as the regulatory environment in which we operate, are largely the same for all product lines.

Enterprise Wide Disclosures about Product and Services

We have three families of products: (1) disposables, (2) software solutions and (3) equipment & other.

Disposables include the plasma, blood bank, and hospital product lines. Plasma consists of the disposables used to perform apheresis for the separation of whole blood components and subsequent collection of plasma. Blood bank consists of disposables which separate whole blood for the subsequent collection of platelets, red cells, or a combination of red cells and plasma. Hospital consists of surgical disposables (principally the Cell Saver® autologous blood recovery system and cardioPAT® cardiovascular perioperative autotransfusion system), OrthoPAT® orthopedic perioperative autotransfusion system, and diagnostics products (principally the TEG® Thrombelastograph® hemostasis analyzer).

Software solutions include information technology platforms that assist blood banks, plasma centers, and hospitals more effectively manage regulatory compliance and operational efficiency.

Equipment & other revenues include revenue from equipment sales, repairs performed under preventive maintenance contracts or emergency service visits, spare part sales, and various service and training programs.

Revenues from External Customers:

	Three Months Ended	
	September 26, 2009	September 27, 2008
	(in thousands)	
Disposable revenues		
Plasma disposables	$ 59,423	$ 49,924
Blood bank disposables		
Platelet	37,250	36,294
Red cell	11,484	11,758
	48,734	48,052
Hospital disposables		
Surgical	16,631	15,984
OrthoPAT	8,678	8,393
Diagnostics	4,282	4,763
	29,591	29,140
Disposables revenue	137,748	127,116
Software solutions	9,100	7,079
Equipment & other	10,222	11,724
Total revenues	$ 157,070	$ 145,919

	Six Months Ended	
	September 26, 2009	September 27, 2008
	(in thousands)	
Disposable revenues		
Plasma disposables	$ 118,293	$ 96,792
Blood bank disposables		
Platelet	71,557	71,953
Red cell	23,263	23,600
	94,820	95,553
Hospital disposables		
Surgical	34,056	33,253
OrthoPAT	17,262	17,189
Diagnostics	9,279	9,857
	60,597	60,299
Disposables revenue	273,710	252,644
Software solutions	17,554	14,337
Equipment & other	19,894	23,054
Total revenues	$ 311,158	$ 290,035

15. REORGANIZATION

During the last two years, the Company has transformed aspects of its international businesses, and more recently, its U.S. domestic Technical Operations organizations. The following summarizes the restructuring activity for the six months ended September 26, 2009 and September 27, 2008, respectively:

(Dollars in thousands)	Six Months Ended September 26, 2009 Balance at March 28, 2009	Cost Incurred	Payments	Asset Write down	Restructuring Accrual Balance at September 26, 2009
Employee-related costs	$ 2,730	$ —	$ (967)	$ —	$ 1,763
Facility related costs	42	—	(42)	—	—
Other exit & termination costs	78	—	(78)	—	—
	$ 2,850	$ —	$ (1,087)	$ —	$ 1,763

(Dollars in thousands)	Six Months Ended September 27, 2008 Balance at March 29, 2008	Cost Incurred	Payments	Asset Write down	Restructuring Accrual Balance at September 27, 2008
Employee-related costs	$ 521	$ 1,988	$ (1,498)	$ —	$ 1,011
Facility related costs	42	71	(71)	—	42
Other exit & termination costs	78	—	—	—	78
	$ 641	$ 2,059	$ (1,569)	$ —	$ 1,131

16. CAPITALIZATION OF SOFTWARE DEVELOPMENT COSTS

The Company implemented an Enterprise Resource Planning (ERP) system over the last three years.

The cost of software that is developed or obtained for internal use is accounted for pursuant to ASC Topic 350, *Intangibles — Goodwill and Other* (formerly known as AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*). Pursuant to ASC Topic 350, the Company capitalizes costs incurred during the application development stage of software developed for internal use, and expenses costs incurred during the preliminary project and the post-implementation operation stages of development. The Company capitalized $4.9 million and $2.0 million, respectively, during the six months ended September 26, 2009 and September 27, 2008, in costs incurred for acquisition of the software license and related software development costs for new internal software that was in the application development stage. The total capitalized costs incurred to date include $1.8 million for the cost of the software license and $26.2 million in third party development costs and internal personnel costs.

The Company successfully completed the final major go-live milestone implementations in the ERP system during the first six months ended September 26, 2009.

In connection with the development of the software for our next generation Blood Bank apheresis platform, the Company capitalized $0.0 million and $0.7 million in software development costs during the six months ended September 26, 2009 and September 27, 2008, respectively, in accordance with ASC Topic 985-20, *Software* (formerly known as SFAS No. 86, *Accounting for the Cost of Computer Software to be Sold, Leased, or Otherwise Marketed*). Since the start of the project, a total of $12.0 million in total software development costs has been capitalized in connection with the next generation Blood Bank apheresis platform. All costs capitalized were incurred after a detailed design of the software was developed and research and development activities on the underlying device were completed. Work on the apheresis platform has been temporarily suspended while the Company focuses on completing another project, which is expected to be completed during fiscal year 2010. We will begin to amortize these costs when the device is released for sale.

Additionally, the Company capitalized $2.5 million and $1.6 million in other software development costs for ongoing initiatives during the six-months ended September 26, 2009 and September 27, 2008, respectively. At September 26, 2009, we have a total of $8.4 million of costs capitalized related to other in process software development initiatives. We will begin to amortize these costs when the products are released for sale.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with both our interim consolidated financial statements and notes thereto which appear elsewhere in this Quarterly Report on Form 10-Q and our annual consolidated financial statements, notes thereto, and the MD&A contained in our fiscal year 2009 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on May 22, 2009. The following discussion may contain forward-looking statements and should be read in conjunction with the "**Cautionary Statement Regarding Forward-Looking Information**" beginning on page 33.

Our Business

Haemonetics is a blood management solutions company for our customers. Anchored by our reputable medical device systems, we also provide information technology platforms and value added services to provide customers with business solutions which support improved clinical outcomes for patients and efficiency in the blood supply chain.

Our Plasma and Blood Bank systems automate the collection and processing of donated blood, allowing users to collect only the blood component(s) they target — plasma, platelets, or red blood cells — increasing donor and patient safety as well as collection efficiencies. Our Diagnostics systems measure a surgical patient's clotting ability thereby aiding surgeons in assessing the likelihood for patient blood loss. Our Surgical systems salvage and process surgical patient blood so the patient's own blood is recovered and can be transfused back to the patient. These systems include devices and single-use, proprietary disposable sets ("disposables") that operate only with our specialized devices. Our information technology platforms are used by blood and plasma collectors to improve the safety and efficiency of blood collection logistics by eliminating previously manual functions at not-for-profit blood banks and commercial plasma centers. Our business services products include consulting, Six Sigma, LEAN manufacturing and Impact™ Opportunity Model offerings that support our customers' needs for regulatory compliance and operational efficiency in the blood supply chain.

We either sell our devices to customers (resulting in equipment revenue) or place our devices with customers subject to certain conditions. When the device is placed and remains our property, the customer has the right to use it for a period of time as long as the customer meets certain conditions we have established, which among other things, generally include one or more of the following:

- Purchase and consumption of a minimum level of disposables products;
- Payment of monthly rental fees; and/or
- An asset utilization performance metric, such as performing a minimum level of procedures per month per device.

Our disposables revenue stream (including sales of disposables and fees for the use of our equipment) accounted for approximately 88% and 87% of our total revenues for both second quarter and first six months of fiscal year 2010 and 2009, respectively.

Financial Summary

(in thousands, except per share data)	For the three months ended September 26, 2009	For the three months ended September 27, 2008	% Increase/ (Decrease)	For the six months ended September 26, 2009	For the six months ended September 27, 2008	% Increase/ (Decrease)
Net revenues	$157,070	$145,919	7.6%	$311,158	$290,035	7.3%
Gross profit	$ 80,967	$ 74,689	8.4%	$163,910	$147,726	11.0%
% of net revenues	*51.5%*	*51.2%*		*52.7%*	*50.9%*	
Operating expenses	$ 53,944	$ 51,080	5.6%	$110,560	$104,783	5.5%
Operating income	$ 27,023	$ 23,609	14.5%	$ 53,350	$ 42,943	24.2%
% of net revenues	*17.2%*	*16.2%*		*17.1%*	*14.8%*	
Interest expense	$ (255)	$ (16)	1493.8%	$ (463)	$ (40)	1057.5%
Interest income	$ 103	$ 506	(79.6%)	$ 253	$ 1,160	(78.2%)
Other income, net	$ (801)	$ (1,290)	(37.9%)	$ (1,135)	$ (915)	24.0%
Income before taxes	$ 26,070	$ 22,809	14.3%	$ 52,005	$ 43,148	20.5%
Provision for income tax	$ 8,020	$ 8,002	0.2%	$ 15,882	$ 14,000	13.4%
% of pre-tax income	*30.8%*	*35.1%*		*30.5%*	*32.4%*	
Net income	$ 18,050	$ 14,807	21.9%	$ 36,123	$ 29,148	23.9%
% of net revenues	*11.5%*	*10.1%*		*11.6%*	*10.0%*	
Earnings per share-diluted	$ 0.69	$ 0.57	20.1%	$ 1.37	$ 1.11	23.7%

Net revenues increased 7.6% and 7.3% for the second quarter and first six months of fiscal year 2010 over the comparable periods of fiscal year 2009. The effects of foreign exchange accounted for an increase of 2.1% and 1.4% for the second quarter and six months, respectively. The remaining increase of 5.5% for the quarter and 5.9% for the six months is mainly due to increases in our plasma disposables revenue and software solutions revenue.

Gross profit increased 8.4% and 11.0% as compared to the second quarter and first six months of fiscal year 2009. The favorable effects of foreign exchange accounted for an increase of 3.4% and 5.8% for the second quarter and first six months of fiscal year 2010, respectively. The remaining increase of 5.0% for the quarter and 5.2% for the six months was due primarily to increased sales and manufacturing efficiencies. This was partly offset by changes in product mix driven by higher sales of our lower margin plasma products.

Operating expenses increased 5.6% and 5.5% for the second quarter and first six months of fiscal year 2010 over the comparable periods of fiscal year 2009. The favorable effects of foreign exchange accounted for a decrease in operating expenses of 0.5% for the quarter and 1.7% for the six months, respectively. Without the effects of foreign exchange, operating expenses increased 6.1% in the second quarter and 7.2% in the first six months of fiscal year 2010. The higher operating expenses are primarily related to increased investment in research and development, the expenses from recent acquisitions, expenses associated with our ERP Phase II go-live, and higher expenses due to the introduction of blood management solutions. The noted increases in operating expenses were partly offset by a lack of restructuring costs in the first six months of fiscal year 2010 when compared to the first six months of fiscal year 2009.

Operating income increased 14.5% and 24.2% for the second quarter and first six months of fiscal year 2010 over the comparable periods of fiscal year 2009. The effects of foreign exchange accounted for an increase of 11.8% and 23.7% for the second quarter and six months, respectively. Without the effects of foreign exchange operating income increased 2.7% for the quarter and 0.5% for the six months as a result of noted changes in gross profit and operating expenses.

Net income increased 21.9% and 23.7% for the second quarter and first six months of fiscal year 2010 over the comparable periods of fiscal year 2009. The main factors that affected net income were the increase in operating income and the reduction in tax rate.

RESULTS OF OPERATIONS

Net Revenues by Geography

	For the three months ended			For the six months ended		
(in thousands)	September 26, 2009	September 27, 2008	% Increase	September 26, 2009	September 27, 2008	% Increase
United States	$ 74,856	$ 66,511	12.5%	$ 149,869	$ 132,300	13.3%
International	82,214	79,408	3.5%	161,289	157,735	2.3%
Net revenues	$ 157,070	$ 145,919	7.6%	$ 311,158	$ 290,035	7.3%

International Operations and the Impact of Foreign Exchange

Our principal operations are in the U.S., Europe, Japan and other parts of Asia. Our products are marketed in more than 80 countries around the world via a direct sales force as well as independent distributors and agents.

Our revenues generated outside the U.S. approximated 52% for both the second quarter and the first six months of fiscal year 2010 and 54% for both the second quarter and the first six months of fiscal year 2009. Revenues in Japan accounted for approximately 17.0% and 16.6% of total revenues for the second quarter of fiscal year 2010 and 2009, respectively and 16.4% and 15.9% of total revenues for the first six months of fiscal year 2010 and 2009, respectively. Revenues in Europe accounted for approximately 27.3% and 29.6% of total revenues for the second quarters of fiscal year 2010 and 2009 and 27.6% and 30.5% of total revenues for the first six months of fiscal year 2010 and 2009, respectively. International sales are primarily conducted in local currencies, primarily the Japanese Yen and the Euro. As discussed above, our results of operations are impacted by changes in the value of the Yen and the Euro relative to the U.S. dollar.

Please see section entitled “Foreign Exchange” in this discussion for a more complete explanation of how foreign currency affects our business and our strategy for managing this exposure.

Net Revenues by Product Type

	For the three months ended			For the six months ended		
(in thousands)	September 26, 2009	September 27, 2008	% Increase/ (Decrease)	September 26, 2009	September 27, 2008	% Increase/ (Decrease)
Disposables	$ 137,748	$ 127,116	8.4%	$ 273,710	$ 252,644	8.3%
Software solutions	9,100	7,079	28.5%	17,554	14,337	22.4%
Equipment & other	10,222	11,724	(12.8%)	19,894	23,054	(13.7%)
Net revenues	$ 157,070	$ 145,919	7.6%	$ 311,158	$ 290,035	7.3%

Disposables Revenues by Product Type

(in thousands)	For the three months ended September 26, 2009	For the three months ended September 27, 2008	% Increase/ (Decrease)	For the six months ended September 26, 2009	For the six months ended September 27, 2008	% Increase/ (Decrease)
Plasma disposables	$ 59,423	$ 49,924	19.0%	$ 118,293	$ 96,792	22.2%
Blood bank disposables						
Platelet	37,250	36,294	2.6%	71,557	71,953	(0.6%)
Red cell	11,484	11,758	(2.3%)	23,263	23,600	(1.4%)
	48,734	48,052	1.4%	94,820	95,553	(0.8%)
Hospital disposables						
Surgical	16,631	15,984	4.0%	34,056	33,253	2.4%
OrthoPAT	8,678	8,393	3.4%	17,262	17,189	0.4%
Diagnostics	4,282	4,763	(10.1%)	9,279	9,857	(5.9%)
	29,591	29,140	1.5%	60,597	60,299	0.5%
Total disposables revenue	$ 137,748	$ 127,116	8.4%	$ 273,710	$ 252,644	8.3%

Disposables

Disposables include the Plasma, Blood Bank, and Hospital product lines. Disposables revenue increased 8.4% and 8.3% for the second quarter and the first six months of fiscal year 2010 over the comparable periods of fiscal year 2009. Foreign exchange resulted in a 1.8% and 1.2% increase for the quarter and six months. The remaining increase of 6.6% and 7.1% for the second quarter and the first six months of fiscal year 2010 were driven by increases in the Plasma product line, as discussed below.

Plasma

Plasma disposables revenue increased 19.0% and 22.2% for the second quarter and the first six months of fiscal year 2010 compared to the same periods in fiscal year 2009. Foreign exchange resulted in a 2.0% and 1.2% increase for the quarter and six months, respectively. For both the second quarter and first six months of fiscal year 2010 as compared to the same periods in fiscal year 2009, higher collections in both the U.S. and Europe, share gains, and, to a lesser extent, pricing were the main reasons for the remaining increase.

As supply-demand balance has been achieved between source plasma collected and used in pharmaceutical production, we are seeing a moderation in collections. The fractionation companies will continue to balance collections to support the underlying growth in demand for plasma drugs which we believe to be in the 7% range. With contractual price increases, new products, and market share gains, we anticipate that plasma disposable revenue growth will moderate, but continue to outpace collection market growth in the near term.

Blood Bank

Blood bank consists of platelet and red cell disposables.

Platelet disposables revenue increased 2.6% for the second quarter and decreased 0.6% for the first six months of fiscal year 2010 compared to the same periods in fiscal year 2009. Comparing the second quarter and the first six months of fiscal year 2010 to that of 2009, foreign exchange accounted for an increase of 2.3% and 2.1%, respectively. For the quarter, the remaining increase of 0.3% was the result of growth in China and Taiwan offset by share loss in Japan. Without the effect of currency, revenues decreased 2.7% in the first six months. The decrease was driven by the first quarter challenges in South Korea associated with the significant devaluation of South Korea's currency, the Won, and by the reasons noted for the second quarter growth.

Red cell disposables decreased 2.3% and 1.4% for the second quarter and the first six months of fiscal year 2010 compared to the same periods in fiscal year 2009. Comparing the second quarter and the first six months of fiscal year 2010 to that of 2009, foreign exchange accounted for a decrease of 1.1% and 0.7%, respectively. The remaining decrease of 1.2% for the quarter and 0.7% for the six months was driven by lower demand for red cells, as a result of (i) fewer surgeries, thus a reduced demand for blood and (ii) 5% more donors due to the entry of 16 year olds to the blood donor population, which combined resulted in a reliance on a higher percentage of whole blood collections.

Hospital

Hospital consists of surgical, OrthoPAT, and diagnostics products.

Revenues from our surgical disposables increased 4.0% and 2.4% for the second quarter and the first six months of fiscal year 2010 compared to the same periods in fiscal year 2009. Surgical disposables revenue consists principally of the Cell Saver and cardioPAT products. Foreign exchange resulted in an increase in surgical disposables revenue of 1.9% for the quarter and 2.1% for the six months. Without the effect of currency, surgical disposables increased 2.1% and 0.3% for the second quarter and the first six months, respectively. The increase was primarily the result of increases in sales of cardioPAT products, as more hospitals adopt the cardioPAT products.

Revenues from our OrthoPAT disposables increased 3.4% and 0.4% for the second quarter and the first six months of fiscal year 2010 compared to the same periods in fiscal year 2009. Foreign exchange had a minimal impact, a 0.5% increase, on OrthoPAT disposables revenue for the quarter and no impact on revenue for the first six months. The increase was primarily the result of market share gains.

Revenues from our diagnostics products decreased 10.1% and 5.9% for the second quarter and the first six months of fiscal year 2010 compared to the same periods in fiscal year 2009. Diagnostics product revenue consists principally of the TEG products. Comparing the second quarter and the first six months of fiscal year 2010 to that of 2009, foreign exchange accounted for an increase of 3.9% and 0.4%, respectively. Without the effect of currency, diagnostic product revenues decreased of 15.0% for the quarter and 6.3% for the six months. Diagnostics product revenue is unique, compared to revenue from other products, in that it includes TEG disposable and equipment sales. The revenue decline in the quarter and year-to-date are due to a decline in TEG equipment sales. The noted decrease was partly offset by an 11.1% and 10.0% increase in TEG disposables for the second quarter and the first six months of fiscal year 2010.

Software Solutions

Our software solutions revenues include revenue from software sales. Software solutions revenues increased 28.5% and 22.4% for the second quarter and the first six months of fiscal year 2010 over the comparable period of fiscal year 2009. Foreign exchange resulted in a 1.4% and 1.1% increase for the quarter and six months. The remaining increase of 27.1% and 21.3% for the second quarter and the first six months of fiscal year 2010 was driven by increased sales to commercial plasma customers and revenues associated with two recent acquisitions.

Equipment & Other

Our equipment & other revenues include revenue from equipment sales, repairs performed under preventive maintenance contracts or emergency service visits, spare part sales, and various service and training programs. Equipment & other revenues decreased 12.8% and 13.7% for the second quarter and the first six months of fiscal year 2010 over the comparable period of fiscal year 2009. Foreign exchange resulted in a 7.8% and 4.7% increase for the quarter and six months. Without the effect of currency, the decrease of 20.6% and 18.4% for the second quarter and the first six months of fiscal year 2010 is primarily the result of fewer equipment sales, particularly to distributor customers due to macro economic trends impacting health care funding.

Gross Profit

	For the three months ended			For the six months ended		
(in thousands)	**September 26, 2009**	**September 27, 2008**	**% Increase**	**September 26, 2009**	**September 27, 2008**	**% Increase**
Gross profit	$ 80,967	$ 74,689	8.4%	$ 163,910	$ 147,726	11.0%
% of net revenues	51.5%	51.2%		52.7%	50.9%	

Gross profit increased 8.4% and 11.0% for the second quarter and the first six months of fiscal year 2010 as compared to the same periods of fiscal year 2009. Our gross profit margin improved 30 basis points for the second quarter and 180 basis points for the first six months of fiscal year 2010. The improvement was attributable to foreign exchange and improved manufacturing efficiencies, particularly for our plasma business. Product mix partly offset these improvements due to increased sales of our lower margin plasma products.

Operating Expenses

(in thousands)	For the three months ended September 26, 2009	For the three months ended September 27, 2008	% Increase	For the six months ended September 26, 2009	For the six months ended September 27, 2008	% Increase
Research, development and engineering	$ 6,475	$ 5,217	24.1%	$ 13,252	$ 11,061	19.8%
% of net revenues	4.1%	3.6%		4.3%	3.8%	
Selling, general and administrative	$47,469	$45,863	3.5%	$ 97,308	$ 93,722	3.8%
% of net revenues	30.2%	31.4%		31.3%	32.3%	
Total operating expenses	$53,944	$51,080		$110,560	$104,783	
% of net revenues	34.3%	35.0%		35.5%	36.1%	

Research, Development and Engineering

Research, development and engineering expenses increased 24.1% and 19.8% for the second quarter and the first six months of fiscal year 2010 as compared to the same periods of fiscal year 2009. The increase is a result of increased spending in the whole blood and Arryx blood diagnostics technologies.

Selling, General and Administrative

During the second quarter and first six months of fiscal year 2010, selling, general and administrative expenses increased 3.5% and 3.8%, respectively. Foreign exchange resulted in a 0.3% and 1.7% decrease in selling, general and administrative during the quarter. Excluding the impact of foreign exchange, selling, general and administrative expense increased 3.8% and 5.5% for the second quarter and six months. The increase was due primarily to (i) expenses brought on from recent acquisitions that had not been reflected in the second quarter of fiscal year 2009, (ii) expenses associated with our ERP Phase II go-live, and (iii) general selling, marketing and handling costs necessary to support the increase in sales and the introduction of blood management solutions. The noted increases were partly offset by a lack of restructuring costs in the first six months of fiscal year 2010 when compared to the first six months of fiscal year 2009.

Operating Income

(in thousands)	For the three months ended September 26, 2009	For the three months ended September 27, 2008	% Increase	For the six months ended September 26, 2009	For the six months ended September 27, 2008	% Increase
Operating income	$27,023	$23,609	14.5%	$53,350	$42,943	24.2%
% of net revenues	17.2%	16.2%		17.1%	14.8%	

Operating income increased 14.5% and 24.2% for the second quarter and first six months of fiscal year 2010 as compared to the same periods of fiscal year 2009. Foreign exchange resulted in increases of 11.8% and 23.7% in operating income during the quarter and first six months, respectively. Without the effects of foreign currency, operating income increased 2.7% for the quarter and 0.5% for the first six months due to the net of sales and gross profit growth offset by increases in operating expenses.

Other (expense)/income, net

(in thousands)	For the three months ended September 26, 2009	For the three months ended September 27, 2008	% Increase	For the six months ended September 26, 2009	For the six months ended September 27, 2008	% Decrease
Interest expense	$ (255)	$ (16)		$ (463)	$ (40)	
Interest income	103	506		253	1,160	
Other expense, net	(801)	(1,290)		(1,135)	(915)	
Total other (expense)/income, net	$ (953)	$ (800)	19.1%	$ (1,345)	$ 205	n.m.

Total other expense, net increased 19.1% for the second quarter and total other income, net decreased more than 100% for first six months of fiscal year 2010 as compared to the same periods of fiscal year 2009. The main reasons for the decrease is the net of (i) the increase in interest expense due to the accounting relating to the contingent consideration on a recent acquisition and (ii) the decrease in interest income due to significantly reduced investment yield.

Income Taxes

(in thousands)	For the three months ended September 26, 2009	For the three months ended September 27, 2008	% Decrease	For the six months ended September 26, 2009	For the six months ended September 27, 2008	% Decrease
Reported income tax rate	30.8%	35.1%	(4.3%)	30.5%	32.4%	(1.9%)

Our reported tax rate includes two principal components: an expected effective annual tax rate and discrete items resulting in additional provisions or benefits that are recorded in the quarter that an event arises. Events or items that give rise to discrete recognition include finalizing audit examinations for open tax years or a statute of limitation's expiration.

The reported tax rate was 30.8% for the three months ended September 26, 2009. The reported tax rate includes:

- Our expected annual effective tax rate of 31.1%, comprised of the U.S. federal statutory tax rate of 35.0% reduced by tax benefits from foreign taxes (including our Swiss principal) and a domestic manufacturing deduction, plus the state tax provision, and stock compensation expenses not deductible in all jurisdictions; and

The following discrete items:

- A $0.7 million benefit (on an annual basis) from the remittance of Japanese earnings.
- A $0.1 million cost from foreign tax assessments.

The reported tax rate was 35.1% for the three months ended September 27, 2008. The reported tax rate equaled the expected effective annual tax rate which reflected tax benefits from foreign taxes and a domestic manufacturing deduction, offset in part by the state tax provision, and stock compensation expense not deductible in all jurisdictions.

The reported tax rate was 30.5% for the six months ended September 26, 2009. The reported tax rate includes:

- Our expected annual effective tax rate of 31.1%, comprised of the U.S. federal statutory rate of 35.0% reduced by tax benefits from foreign taxes (including our Swiss principal) and a domestic manufacturing deduction, plus the state tax provision, and stock compensation expenses not deductible in all jurisdictions; and

The following discrete items:

- A $0.7 million benefit (on an annual basis) from the remittance of Japanese earnings.
- A $0.1 million cost from foreign tax assessments.

The reported tax rate was 32.4% for the six months ended September 27, 2008. The reported tax rate included:

- A 35.1% expected effective annual tax rate which reflects tax benefits from foreign taxes and a domestic manufacturing deduction, offset in part by the state tax provision, and stock compensation expenses not deductible in all jurisdictions. The reported tax rate also included a $1.1 million reversal of previously accrued income taxes because of the expiration of the statute of limitations.

We conduct business globally and, as a result, file consolidated federal and separate state and foreign income tax returns in multiple jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world in jurisdictions including the U.S., Japan, Germany, France, the United Kingdom, and Switzerland. With few exceptions, we are no longer subject to U.S. federal, state and local, or foreign income tax examinations for years before 2006.

Liquidity and Capital Resources

The following table contains certain key performance indicators we believe depict our liquidity and cash flow position:

(dollars in thousands)	September 26, 2009	March 28, 2009
Cash & cash equivalents	$ 178,322	$ 156,721
Working capital	$ 293,302	$ 289,530
Current ratio	3.6	4.1
Net cash position (1)	$ 158,167	$ 150,683
Days sales outstanding (DSO)	68	67
Disposables finished goods inventory turnover	6.8	7.1

(1) Net cash position is the sum of cash and cash equivalents less total debt.

Our primary sources of capital include cash and cash equivalents, internally generated cash flows, bank borrowings and option exercises. We believe these sources to be sufficient to fund our requirements, which are primarily capital expenditures and acquisitions, new business and product development, and working capital for at least the next twelve months.

(in thousands)	For the six months ended September 26, 2009	For the six months ended September 27, 2008	Increase/ (Decrease)
Net cash provided by (used in):			
Operating activities	$ 61,479	$ 41,777	$ 19,702
Investing activities	(52,261)	(28,737)	(23,524)
Financing activities	11,907	(33,825)	45,732
Effect of exchange rate changes on cash and cash equivalents (1)	476	(1,437)	1,913
Net increase/(decrease) in cash and cash equivalents	$ 21,601	$ (22,222)	$ 43,823

(1) The balance sheet is affected by spot exchange rates used to translate local currency amounts into U.S. dollars. In accordance with GAAP, we have removed the effect of foreign currency throughout our cash flow statement, except for its effect on our cash and cash equivalents.

In May 2009, Board of Directors approved a $40 million share repurchase. Through September 26, 2009, the Company repurchased 139,722 shares of its common stock for an aggregate purchase price of $7.6 million. Of the shares repurchased, 22,413 shares at an aggregate purchase price of $1.2 million had not yet settled as of September 26, 2009. At September 26, 2009, we had $32.4 million remaining on the $40 million share repurchase limit set by the Board of Directors.

Cash Flow Overview:

Six Month Comparison

Operating Activities:

Net cash provided by operating activities increased by $19.7 million in the first six months of fiscal year 2010 as compared to the first six months of 2009 due primarily to:

- $7.0 million increase in net income;
- $9.1 million reduced investment in accounts receivable due to improved collections over the same period last year;
- $9.9 million reduced investment in inventories;
- $6.2 million reduced investment in prepaid income taxes; and
- $9.9 million reduced investment in other assets and other long-term liabilities

partially offset by

- the $5.9 million change in unrealized gain from hedging activities and
- a $17.1 million increase in payments of accounts payable and accrued expenses that was primarily the result of a $13.7 million payment of (i) the fiscal year 2009 employee performance bonuses worldwide and (ii) the discretionary bonus for extraordinary performance to all employees other than the Chief Executive Officer and certain other executives during the first quarter of fiscal year 2010.

Investing Activities:

Net cash used in investing activities increased during the first six months of fiscal year 2010 as compared to the first six months of 2009 due primarily to the $12.8 million acquisition of SEBRA, the $6.6 million paid relating to the acquisition of Neoteric, and the $4.1 million increased spending in capital expenditures on property, plant, and equipment.

Financing Activities:

Net cash used in financing activities decreased by $45.7 million in the first six months of fiscal year 2010 as compared to the first six months of 2009 due primarily to:

- $53.7 million decrease in cash paid out relating to stock repurchases and
- $11.5 million increase in net borrowings under short-term revolving credit agreements

partially offset by

- $19.5 million decrease in exercise of stock options and related tax benefits.

Inflation

We do not believe that inflation had a significant impact on our results of operations for the periods presented. Historically, we believe we have been able to mitigate the effects of inflation by improving our manufacturing and purchasing efficiencies, by increasing employee productivity, and by adjusting the selling prices of products. We continue to monitor inflation pressures generally and raw materials indices that may affect our procurement and production costs. Increases in the price of petroleum derivatives could result in corresponding increases in our costs to procure plastic raw materials.

Foreign Exchange

Our revenues generated outside the U.S. in local currencies approximated 52% for both the second quarter and the first six months of fiscal year 2010, yet our reporting currency is the U.S. dollar. Foreign exchange risk arises because we engage in business in foreign countries in local currency. Exposure is partially mitigated by producing and sourcing product in local currency and expenses incurred by local sales offices. However, whenever the U.S. dollar strengthens relative to the other major currencies, there is an adverse affect on our results of operations and alternatively, whenever the U.S. dollar weakens relative to the other major currencies there is a positive effect on our results of operations.

Our primary foreign currency exposures in relation to the U.S. dollar are the Euro and the Japanese Yen. In response to the global economic turmoil and sharply increased volatility in the foreign exchange rates, we entered into forward contracts to hedge the anticipated cash flows from forecasted Great British Pound and Canadian Dollar denominated expenses.

It is our policy to minimize for a period of time, the unforeseen impact on our financial results 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 sales. Hedging through the use of forward contracts does not eliminate the volatility of foreign exchange rates, but because we generally enter into forward contracts one year in advance of the foreign currency denominated cash flows, rates are fixed for a one-year period, thereby facilitating financial planning and resource allocation. We enter into forward contracts that mature one month prior to the anticipated timing of the forecasted foreign currency denominated sales. These contracts are designated as cash flow hedges and are intended to lock in the expected cash flows of forecasted foreign currency denominated sales at the available spot rate. Actual spot rate gains and losses on these contracts are recorded in sales, at the same time the underlying transactions being hedged are recorded. 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.

Presented below are the spot rates for our Euro and Japanese Yen cash flow hedges that settled in fiscal year 2009, settled the first six months of fiscal year 2010, or are presently outstanding. These hedges cover our long foreign currency positions that result from our sales in Europe and Japan. The table also shows the relative strengthening or weakening of the spot rates associated with those hedge contracts versus the spot rates in the contracts that settled in the prior comparable period.

	First Quarter	Strengthen / (Weaken)	Second Quarter	Strengthen / (Weaken)	Third Quarter	Strengthen / (Weaken)	Fourth Quarter	Strengthen / (Weaken)
Euro — Hedge Spot Rate (US$ per Euro)								
FY09	1.3453		1.3704		1.4396		1.4908	
FY10	1.5681	16.6%	1.4890	8.6%	1.3192	(8.4%)	1.2812	(14.1%)
FY11	1.3582	(13.4%)	1.4272	(4.2%)				
Japanese Yen — Hedge Spot Rate (JPY per US$)								
FY09	120.6432		116.7411		112.8810		106.2511	
FY10	105.2792	12.7%	105.1132	10.0%	96.3791	14.6%	93.4950	12.0%
FY11	98.1677	6.8%	97.1902	7.5%				

* We generally place our cash flow hedge contracts on a rolling twelve month basis. Accordingly, the only hedge contracts placed for fiscal year 2011 are for the first and second quarters.

Recent Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Update No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, an amendment to FASB ASC topic 605, *Revenue Recognition*, and Update No. 2009-14, *Certain Revenue Arrangements That Include Software Elements*, an amendment to FASB ASC subtopic 985-605, *Software — Revenue Recognition*, (the "Updates"). The Updates provide guidance on arrangements that include software elements, including tangible products that have software components that are essential to the functionality of the tangible product and will no longer be within the scope of the software revenue recognition guidance, and software-enabled products that will now be subject to other relevant revenue recognition guidance. The Updates provide authoritative guidance on revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. The Updates also include new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. The Updates must be adopted in the same period using the same transition method and are effective prospectively, with retrospective adoption permitted, for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is also permitted; however, early adoption during an interim period requires retrospective application from the beginning of the fiscal year. The

Company is currently assessing the timing and method of adoption, as well as the possible impact of this guidance on its financial position and results of operations.

In June 2009, the FASB issued requirements under FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162*. The FASB Accounting Standards Codification (ASC) will become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. FASB Statement No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. This statement became effective during our second quarter of fiscal year 2010 and its impact is reflected in our financial position and results of operation for the six months ended September 26, 2009.

Under ASC Topic 805, *Business Combinations* (formerly known as FASB Statement No. 141(R), *Business Combinations*), the FASB requires that all business combinations use the acquisition method (formerly the purchase method) and that an acquiring entity be identified in all business combinations. ASC Topic 805 also requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. This statement became effective for our fiscal year 2010 and its impact is reflected in our financial position and results of operations for the six months ended September 26, 2009. The Company's acquisition of L'Attitude Medical Systems, Inc. ("Neoteric") and asset acquisition of the blood collection and processing business unit ("SEBRA") of Engineering and Research Associates, Inc. during the first six months of fiscal year 2010 were both accounted for in accordance to the requirements of ASC Topic 805 — see Note 9.

Cautionary Statement Regarding Forward-Looking Information

Statements contained in this report, as well as oral statements we make which 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 our future plans of operations, business strategy, results of operations, and financial position. These statements are based on our current expectations and estimates as to prospective events and circumstances about which we can give no firm assurance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake 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 our 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 anticipated. Such risks and uncertainties include technological advances in the medical field, and our standards for transfusion medicine and our ability to successfully implement products that incorporate such advances and standards, product demand and market acceptance of our products, regulatory uncertainties, the effect of economic and political conditions, the impact of competitive products and pricing, price volatility in petroleum products (plastics are the principal component of our disposables, which are the main source of our revenues), the impact of industry consolidation, 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. The foregoing list should not be construed as exhaustive.

ITEM 3. 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

See the section entitled Foreign Exchange for a discussion of how foreign currency affects our business. It is our policy to minimize for a period of time, the unforeseen impact on our financial results of fluctuations in foreign exchange rates by using derivative financial instruments known as forward contracts to hedge anticipated cash flows from forecasted foreign currency denominated sales. We do not use the financial instruments for speculative or trading activities. At September 26, 2009, we had the following significant foreign exchange contracts to hedge the anticipated cash flows from forecasted foreign currency denominated sales outstanding:

Hedged Currency	(BUY) / SELL Local Currency	Weighted Spot Contract Rate	Weighted Forward Contract Rate	Fair Value Gain / (Loss)	Maturity
Euro	7,828,000	1.299	1.292	$ (1,413,761)	Oct 2009 - Nov 2009
Euro	10,584,808	1.281	1.282	$ (1,985,965)	Dec 2009 - Feb 2010
Euro	9,582,063	1.358	1.357	$ (1,079,106)	Mar 2010 - May 2010
Euro	8,816,747	1.427	1.428	$ (387,977)	Jun 2010 - Aug 2010
Japanese Yen	1,134,426,068	94.36per US$	93.53per US$	$ (296,028)	Oct 2009 - Nov 2009
Japanese Yen	1,394,096,500	93.50per US$	92.58per US$	$ (215,647)	Dec 2009 - Feb 2010
Japanese Yen	1,369,475,624	98.17per US$	97.50per US$	$ (941,142)	Mar 2010 - May 2010
Japanese Yen	1,392,004,698	94.91per US$	94.35per US$	$ (519,603)	Jun 2010 - Aug 2010
GBP	(711,970)	1.399	1.399	$ 167,372	Oct 2010
GBP	(2,274,093)	1.405	1.406	$ 512,921	Nov 2009 - Jan 2010
GBP	(2,276,051)	1.471	1.472	$ 359,711	Feb 2010 - Apr 2010
GBP	(2,727,724)	1.653	1.652	$ (40,838)	May 2010 - Jul 2010
GBP	(818,502)	1.633	1.631	$ 3,609	Aug - 2010
CAD	(3,247,851)	1.113per US$	1.111per US$	$ 96,026	Oct 2009 - Dec 2009
CAD	(3,761,190)	1.088per US$	1.086per US$	$ 32,844	Jan 2010 - Mar 2010
CAD	(2,985,642)	1.096per US$	1.095per US$	$ 47,610	Apr 2010 - Jun 2010
CAD	(2,138,628)	1.108per US$	1.108per US$	$ 55,301	Jul 2010 - Aug 2010
				$ (5,604,674)	

We estimate 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 $11.6 million increase in the fair value of the forward contracts; whereas a 10% weakening of the US dollar would result in a $13.2 million decrease in the fair value of the forward contracts.

INTEREST RATE RISK

All of our long-term debt is at fixed rates. Accordingly, a change in interest rates has an insignificant effect on our interest expense amounts. The fair value of our long-term debt, however, does change in response to interest rate movements due to its fixed rate nature. These changes reflect the premium (when market interest rates decline below the contract fixed interest rates) or discount (when market interest rates rise above the fixed interest rate) that an investor in these long term obligations would pay in the market interest rate environment.

At September 26, 2009, the fair value of our long-term debt was approximately $0.7 million higher than the value of the debt reflected on our financial statements. This higher fair market is entirely related to the $5.0 million remaining principal balance of the original $10.0 million, 8.41% real estate mortgage due January, 2016.

Using scenario analysis, if the interest rate on all long-term maturities changed by 10% from the rate levels that existed at September 26, 2009, the fair value of our long-term debt would change by approximately $0.1 million.

ITEM 4. CONTROLS AND PROCEDURES

We conducted an evaluation, as of September 26, 2009, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer (the Company's principal executive officer and principal financial officer, respectively) regarding the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

There were no changes in the Company's internal control over financial reporting occurred during the three months ended September 26, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

In December 2005, we filed a lawsuit against Baxter Healthcare SA and Fenwal Inc. in Massachusetts federal district court, seeking an injunction and damages on account of Baxter's infringement of a Haemonetics patent, through the sale of Baxter's ALYX brand automated red cell collection system, a competitor of our automated red cell collection systems. In March 2007, Baxter sold the Transfusion Technologies Division (which markets the ALYX product) to private investors, TPG, and Maverick Capital, Ltd. The new company which resulted from the sale was renamed Fenwal. In January 2009, a jury found that the Fenwal ALYX system infringed Haemonetics' patent and awarded us $15.7 million in damages for past infringement. On June 2, 2009, the court ruled that, in addition to paying the damages awarded by the jury, Fenwal must stop selling the ALYX consumable by December 1, 2010 and must pay Haemonetics a 10% royalty on ALYX consumable net sales from January 30, 2009 until December 1, 2010 when the injunction takes effect. In addition, the court awarded pre-judgment interest at 5% on the unpaid damages awarded. On August 19, 2009, an amended judgment was issued under which Haemonetics was awarded $11.3 million for lost profits suffered as a result of the infringement, $4.4 million in royalty damages suffered as a result of the infringement, and prejudgment interest of $2.3 million for a total award of $18.0 million. These rulings may be appealed by Fenwal or Baxter.

Item 1A. Risk Factors

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Part 1, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended March 28, 2009, which could materially affect the Company's business, financial condition or future results. The risks described in the Company's Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial also may materially adversely affect its business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Through September 26, 2009, the Company repurchased 139,722 shares of its common stock for an aggregate purchase price of $7.6 million. Of the shares repurchased, 22,413 shares at an aggregate purchase price of $1.2 million had not yet settled as of September 26, 2009. We reflect stock repurchases in our financial statements on a "trade date" basis and as Authorized Unissued (Haemonetics is a Massachusetts company and under Massachusetts law repurchased shares are treated as authorized but unissued). In April 2 2009, the Board of Directors set a $40.0 million share repurchase expenditure limit which was publicly announced. At September 26, 2009 we had $32.4 million remaining on the $40.0 million share repurchase limit set by the Board of Directors.

All of the purchases during the quarter were made under the publicly announced program. All purchases were made in the open market.

Period	Total Number of Shares Repurchased	Average Price Paid per Share including Commissions	Total Dollar Value of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
Aug. 23, 2009 to Sept. 26, 2009	139,722	$ 54.83	$ 7,579,989	$ 32,420,011
Total	139,722	$ 54.83	$ 7,579,989	$ 32,420,011

Item 3. Defaults upon Senior Securities

Not applicable.

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

On July 30, 2009 the Company held its annual meeting of stockholders. At the meeting, Ronald Gelbman and Brad Nutter were re-elected as Directors for a term ending in 2012. The voting results were as follows:

Ronald Gelbman	For: 24,207,111	Withheld: 373,408
Brad Nutter	For: 23,819,968	Withheld: 760,551

The other members of the Board of Directors whose terms continued after the meeting were:

Serving a Term Ending in 2010 — Susan Bartlett Foote, Pedro P. Granadillo, and Mark W. Kroll, Ph.D.

Serving a Term Ending in 2011 — Lawrence Best, Brian Concannon, and Ronald Merriman

At the meeting, the stockholders ratified the selection by the Board of Directors of Ernst & Young LLP as independent public accountants for the current fiscal year. The vote was as follows:

For: 23,158,297	Against: 1,417,607	Abstain: 4,614	Broker Non-Vote: —

Item 5. Other Information

None

Item 6. Exhibits

10Z	2005 Long-Term Incentive Compensation Plan effective July 27, 2005, as amended July 31, 2008 and July 29, 2009
31.1	Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002, of Brian Concannon, President and Chief Executive Officer of the Company
31.2	Certification pursuant to Section 302 of Sarbanes-Oxley of 2002, of Christopher Lindop, Chief Financial Officer and Vice President Business Development of the Company
32.1	Certification Pursuant to 18 United States Code Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Brian Concannon, President and Chief Executive Officer of the Company
32.2	Certification Pursuant to 18 United States Code Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Christopher Lindop, Chief Financial Officer and Vice President Business Development of the Company

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: November 4, 2009	By: /s/ Brian Concannon Brian Concannon, President and Chief Executive Officer (Principal Executive Officer)
Date: November 4, 2009	By: /s/ Christopher Lindop Christopher Lindop, Chief Financial Officer and Vice President Business Development (Principal Financial Officer)

Exhibit 10Z

Haemonetics Corporation
2005 Long-Term Incentive
Compensation Plan

Effective July 27, 2005

As Amended:

July 31, 2008

July 29, 2009

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Article 1. Establishment, Objectives, and Duration

1.1 Establishment of the Plan. Haemonetics Corporation, a Massachusetts corporation, hereby adopts the "Haemonetics Corporation 2005 Long-Term Incentive Compensation Plan" (hereinafter referred to as the "Plan"), as set forth in this document. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock/Restricted Stock Units, Other Stock Units and Performance Shares.

Subject to approval by the Company's stockholders, this Plan shall become effective as of July 27, 2005 (the "Effective Date"). Awards may be granted under this Plan prior to such stockholder approval; provided, the effectiveness of such Awards shall be contingent on such stockholder approval being obtained.

1.2 Objectives of the Plan. The objectives of the Plan are to optimize the profitability and growth of the Company through incentives that are consistent with the Company's goals and that link the personal interests of Participants to those of the Company's stockholders, to provide Participants with an incentive for excellence in individual performance, and to promote teamwork among Participants.

The Plan is further intended to provide flexibility to the Company and its Subsidiaries in their ability to motivate, attract, and retain the services of Participants who make significant contributions to the Company's success and to allow Participants to share in that success.

1.3 Duration of the Plan. The Plan shall remain in effect, subject to the right of the Committee to amend or terminate the Plan at any time pursuant to Article 16 hereof, until the earlier of when (a) all Shares subject to it shall have been purchased or acquired according to the Plan's provisions or (b) the seventh (7^{th}) anniversary of the Effective Date. However (in case of any amendment to the previous sentence), in no event may an Award of an Incentive Stock Option be granted under the Plan on or after the tenth (10^{th}) anniversary of the Effective Date.

Article 2. Definitions

Whenever used in this Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized:

2.1 "Award" means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock/Restricted Stock Units, Other Stock Units or Performance Shares.

2.2 "Award Agreement" means a written or electronic agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under this Plan.

2.3 "Beneficial Owner" or **"Beneficial Ownership"** shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

2.4 "Board" or **"Board of Directors"** means the Board of Directors of the Company.

2.5 "Change in Control" shall be deemed to have occurred if any person or any two or more persons acting as a group, and all affiliates of such person or persons, who prior to such time owned less than thirty-five percent (35%) of the then outstanding common stock of the Company, shall acquire such additional shares of the Company's common stock in one or more transactions, or series of transactions, such that following such transaction or transactions, such person or group and affiliates beneficially own thirty-five percent (35%) or more of the Company's common stock outstanding.

2.6 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

2.7 "Committee" means the committee appointed from time to time by the Company's Board of Directors to administer the Plan. The full Board of Directors, in its discretion, may act as the Committee under the Plan, whether or not a Committee has been appointed, and shall do so with respect to grants of Awards to non-employee Directors. The Committee may delegate to one or more members of the Committee or officers of the Company, individually or acting as a committee, any portion of its authority, except as otherwise expressly provided in the Plan. In the event of a delegation to a member of the Committee, officer or a committee thereof, the term "Committee" as used herein shall include the member of the Committee, officer or committee with respect to the delegated authority. Notwithstanding any such delegation of authority, the Committee comprised of members of the Board of Directors and appointed by the Board of Directors shall retain overall responsibility for the operation of the Plan.

2.8 "Company" means Haemonetics Corporation, a Massachusetts corporation, and any successor thereto as provided in Article 18 hereof.

2.9 "Covered Employee" means a Participant who, as of the date of vesting and/or payout of an Award, or the date the Company or any of its Subsidiaries is entitled to a tax deduction as a result of the Award, as applicable, is one of the group of "covered employees," as defined in the regulations promulgated under Code Section 162(m), or any successor statute.

2.10 "Deferred Stock Unit" means an Award granted to a Participant pursuant to Article 9 hereof.

2.11 "Director" means any individual who is a member of the Board of Directors of the Company; provided, however, that any Director who is employed by the Company shall be treated as an Employee under the Plan.

2.12 "Disability" shall mean a condition whereby the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical impairment which can be expected to result in death or which is or can be expected to last for a continuous period of not less than twelve months, all as verified by a physician acceptable to, or selected by, the Company.

2.13 "Effective Date" shall have the meaning ascribed to such term in Section 1.1 hereof.

2.14 "Employee" means any employee of the Company or its Subsidiaries.

2.15 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.16 "Fair Market Value" as of any date and in respect of any Share means the average of the high and low trading prices for the Shares as reported on the New York Stock Exchange for that date, or if no such prices are reported for that date, the average of the high and low trading prices on the next preceding date for which such prices were reported, unless otherwise determined by the Committee. In no event shall the fair market value of any Share be less than its par value.

2.17 "Incentive Stock Option" or **"ISO"** means an option to purchase Shares granted under Article 6 hereof and that is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422.

2.18 "Insider" shall mean an individual who is, on the relevant date, an executive officer, director or ten percent (10%) beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act.

2.19 "Key Employee" shall mean an employee (as defined in Code Section 416(i) (but without regard to paragraph (5) thereof)) of the Company.

2.20 "Nonqualified Stock Option" or **"NQSO"** means an option to purchase Shares granted under Article 6 hereof that is not intended to meet the requirements of Code Section 422, or that otherwise does not meet such requirements.

2.21 "Option" means an Incentive Stock Option or a Nonqualified Stock Option.

2.22 "Option Price" means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.23 "Other Stock Unit Award" means an Award granted to a Participant, as described in Article 10 hereof.

2.24 "Participant" means an Employee or Director who has been selected to receive an Award or who has an outstanding Award granted under the Plan.

2.25 "Performance-Based Exception" means the performance-based exception from the tax deductibility limitations of Code Section 162(m).

2.26 "Performance Share" means an Award granted to a Participant, as described in Article 11 hereof.

2.27 "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, at its discretion), and the Shares are subject to a substantial risk of forfeiture, pursuant to the Restricted Stock Award Agreement, as provided in Article 8 hereof.

2.28 "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof and the rules promulgated thereunder, including a "group" as defined in Section 13(d) thereof and the rules promulgated.

2.29 "Restricted Stock" means an Award granted to a Participant pursuant to Article 8 hereof.

2.30 "Restricted Stock Unit" means an Award granted to a Participant pursuant to Article 9 hereof.

2.31 "Shares" means shares of the Company's common stock, par value $.01 per share.

2.32 "Stock Appreciation Right" or **"SAR"** means an Award granted pursuant to the terms of Article 7 hereof.

2.33 "Subsidiary" means any corporation, partnership, joint venture, or other entity in which the Company, directly or indirectly, has a majority voting interest. With respect to Incentive Stock Options, "Subsidiary" means any entity, domestic or foreign, whether or not such entity now exists or is hereafter organized or acquired by the Company or by a Subsidiary that is a "subsidiary corporation" within the meaning of Code Section 424(d) and the rules thereunder.

2.34 "Ten Percent Shareholder" means an employee who at the time an ISO is granted owns Shares possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any Subsidiary, within the meaning of Code Section 422.

Article 3. Administration

3.1 General. Subject to the terms and conditions of the Plan, the Plan shall be administered by the Committee. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board of Directors. The Committee shall have the authority to delegate administrative duties to officers of the Company. For purposes of making Awards intended to qualify for the Performance Based Exception under Code Section 162(m), to the extent required under such Code Section, the Committee shall be comprised solely of two or more individuals who are "outside directors", as that term is defined in Code Section 162(m) and the regulations thereunder.

3.2 Authority of the Committee. Except as limited by law or by the Certificate of Incorporation or Bylaws of the Company, and subject to the provisions hereof, the Committee shall have full power to select Employees and Directors who shall be offered the opportunity to participate in the Plan; determine the sizes and types of Awards; determine the terms and conditions of Awards in a manner consistent with the Plan (including, but not limited to, termination provisions); construe and interpret the Plan and any agreement or instrument entered into under the Plan; establish, amend, or waive rules and regulations for the Plan's administration; and amend the terms and conditions of any outstanding Award as provided in the Plan. Further, the Committee shall make all other determinations that it deems necessary or advisable for the administration of the Plan. As permitted by law and the terms of the Plan, the Committee may delegate its authority herein. No member of the Committee shall be liable for any action taken or decision made in good faith relating to the Plan or any Award granted hereunder.

3.3 Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders and resolutions of the Committee shall be final, conclusive, and binding on all persons, including the Company, its stockholders, Directors, Employees, Participants, and their estates and beneficiaries, unless changed by the Board.

Article 4. Shares Subject to the Plan and Maximum Awards

4.1 Number of Shares Available for Grants. Subject to adjustment as provided in Section 4.2 hereof, the number of Shares hereby reserved for issuance on or after July 31, 2008 to Participants under the Plan shall equal 2,500,000. Subject to adjustment as provided in Section 4.2 hereof, the maximum number of Shares that may be issued pursuant to Incentive Stock Options shall not exceed 500,000. Any Shares that are subject to Award of Stock Options or Stock Appreciation Rights shall be counted against this limit as one (1) Share for every one (1) Share issued. Any Shares that are subject to Awards other than Stock Options or Stock Appreciation Rights shall be counted against this limit as 2.5 Shares for every one (1) Share granted on or after July 31, 2008.

Any Shares covered by an Award (or portion of an Award) granted under the Plan which is settled in cash in lieu of Shares, forfeited, terminated or otherwise canceled or expires shall be deemed not to have been delivered for purposes of determining the maximum number of Shares available for delivery under the Plan. If a Participant tenders shares (either actually, by attestation or otherwise) to pay all or any part of the Option Price or purchase price on an Award or if any shares payable with respect to any Award are retained by the Company in satisfaction of the Participant's obligation for taxes, the number of shares actually tendered or retained shall not become or again be, as the case may be, included in the Share limit described in this Section 4.1. Following the exercise of a SARs Award, the difference between the number of Shares subject to such Award and the number of Shares issued in such exercise shall not be included in the maximum number of Shares available for delivery under the Plan.

Shares may be authorized or unissued shares. The Committee shall determine the appropriate methodology for calculating the number of Shares issued pursuant to the Plan.

The following limitations shall apply to the grant of any Award to a Participant in a fiscal year:

(a) **Stock Options**: The maximum aggregate number of Shares that may be granted in the form of Stock Options pursuant to Awards granted in any one fiscal year to any one Participant shall be 600,000.

(b) **SARs**: The maximum aggregate number of Shares that may be granted in the form of Stock Appreciation Rights pursuant to Awards granted in any one fiscal year to any one Participant shall be 250,000.

(c) **Restricted Stock**: The maximum aggregate number of Shares that may be granted with respect to Awards of Restricted Stock granted in any one fiscal year to any one Participant shall be 250,000.

(d) **Deferred Stock/Restricted Stock Unit Awards:** The maximum aggregate grant or award with respect to Awards of Deferred Stock Units made in any one fiscal year to any one Participant may not exceed $7,000,000. The maximum aggregate grant with respect to Awards of Restricted Stock Units made in any one fiscal year to any one Participant may not exceed $7,000,000.

(e) **Other Stock Unit Awards:** The maximum aggregate grant with respect to Awards of Other Stock Units made in any one fiscal year to any one Participant may not exceed $10,000,000.

(f) **Performance Shares Awards:** The maximum aggregate grant with respect to Awards of Performance Shares made in any one fiscal year to any one Participant shall be equal to the Fair Market Value of 250,000 Shares (measured on the date of grant).

Notwithstanding anything in the Plan to the contrary and subject to adjustment as provided in Section 4.2, the maximum aggregate number of Shares that may be granted as Awards in any one fiscal year to a Director shall be equal to the Fair Market Value of 10,000 Shares (measured on the date of grant) and the maximum aggregate number of Shares that may be granted as Awards to any Director cumulatively under this Plan is 350,000.

The maximum amount that may be paid under the Annual Target Bonus Plan in any one fiscal year to a participant in that plan shall be $2 million.

4.2 Adjustments in Authorized Shares. Upon a change in corporate capitalization, such as a stock split, stock dividend or a corporate transaction, such as any merger, consolidation, combination, exchange of shares or the like, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Code Section 368) or any partial or complete liquidation of the Company, such adjustment shall be made in the number and class of Shares that may be delivered under Section 4.1, in the number and class of and/or price of Shares subject to outstanding Awards granted under the Plan, and in the Award limits set forth in Section 4.1, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights.

4.3 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.2 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan; provided that, unless the Committee determines otherwise at the time such adjustment is considered, no such adjustment shall be authorized to the extent that such authority would be inconsistent with the Plan's or any Award's meeting the requirements of Section 162(m) of the Code, as from time to time amended.

Article 5. Eligibility and Participation

5.1 Eligibility. Persons eligible to participate in this Plan include all Employees and Directors of the Company and its Subsidiaries.

5.2 Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible Employees and Directors, those to whom Awards shall be granted and shall determine the nature and amount of each Award, provided that Incentive Stock Options shall only be awarded to Employees of the Company or its Subsidiaries.

Article 6. Stock Options

6.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

6.2 Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine which are not inconsistent with the terms of the Plan.

6.3 Option Price. The Option Price for each Option shall equal the Fair Market Value of the Shares at the time such option is granted. No ISOs will be granted to a Ten Percent Shareholder. The Option Price may not be decreased with respect to an outstanding Option following the date of grant and no Option will be replaced with another Option with a lower Option Price.

6.4 Duration of Options. Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant, provided that an Option must expire no later than the seventh (7th) anniversary of the date the Option was granted.

6.5 Exercise of Options. Options shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant.

6.6 Payment. Options shall be exercised by the delivery of a written, electronic or telephonic notice of exercise to the Company or its designated agent, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment of the Option Price for the Shares.

Upon the exercise of any Option, the Option Price for the Shares being purchased pursuant to the Option shall be payable to the Company in full either: (a) in cash or its equivalent; (b) subject to the Committee’s approval, by delivery of previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that the Shares that are delivered must have been held by the Participant for at least six (6) months prior to their delivery to satisfy the Option Price); (c) subject to the Committee’s approval, by authorizing a third party to sell Shares (or a sufficient portion of the Shares) acquired upon exercise of the Option and remitting to the Company a sufficient portion of the sales proceeds to pay the Option Price; (d) subject to the Committee’s approval, by a combination of (a), (b), or (c); or (e) by any other method approved by the Committee in its sole discretion. Unless otherwise determined by the Committee, the delivery of previously acquired Shares may be done through attestation. No fractional shares may be tendered or accepted in payment of the Option Price.

Unless otherwise determined by the Committee, cashless exercises are permitted pursuant to Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

Subject to any governing rules or regulations, as soon as practicable after receipt of notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased pursuant to the Option(s).

Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in United States dollars.

6.7 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, or under any blue sky or state securities laws applicable to such Shares.

6.9 Special Limitation on Grants of Incentive Stock Options. No ISO shall be granted to an Employee under the Plan or any other ISO plan of the Company or its Subsidiaries to purchase Shares as to which the aggregate Fair Market Value (determined as of the date of grant) of the Shares which first become exercisable by the Employee in any calendar year exceeds $100,000. To the extent an Option initially designated as an ISO exceeds the value limit of this Section 6.9 or otherwise fails to satisfy the requirements applicable to ISOs, it shall be deemed a NQSO and shall otherwise remain in full force and effect.

Article 7. Stock Appreciation Rights

7.1 Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee.

Subject to the terms and conditions of the Plan, the Committee shall have complete discretion in determining the number of SARs granted to each Participant and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs.

The grant price of a SAR shall equal the Fair Market Value of a Share on the date of grant.

7.2 SAR Agreement. Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR, and such other provisions as the Committee shall determine.

7.3 Term of SARs. The term of an SAR granted under the Plan shall be determined by the Committee, in its sole discretion, provided that an SAR must expire no later than the seventh (7th) anniversary of the date the SAR was granted.

7.4 Exercise of SARs. SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

7.6 Payment of SAR Amount. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The amount by which the Fair Market Value of a Share on the date of exercise exceeds the grant price of the SAR; by

(b) The number of Shares with respect to which the SAR is exercised.

The payment upon SAR exercise shall be in Shares. Any Shares delivered in payment shall be deemed to have a value equal to the Fair Market Value on the date of exercise of the SAR.

Article 8. Restricted Stock

8.1 Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to Participants in such amounts as the Committee shall determine.

8.2 Restricted Stock Agreement. Each Restricted Stock grant shall be evidenced by a Restricted Stock Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock granted, and such other provisions as the Committee shall determine which are not inconsistent with the terms of this Plan.

8.3 Other Restrictions. The Committee may impose such other conditions and/or restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions, and/or restrictions under applicable federal or state securities laws.

To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company’s possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied.

Except as otherwise provided in the Award Agreement, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Participant after the last day of the applicable Period of Restriction.

8.5 Voting Rights. If the Committee so determines, Participants holding Shares of Restricted Stock granted hereunder may be granted the right to exercise full voting rights with respect to those Shares during the Period of Restriction.

8.6 Dividends and Other Distributions. During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder (whether or not the Company holds the certificate(s) representing such Shares) may, if the Committee so determines, be credited with dividends paid with respect to the underlying Shares while they are so held. The Committee may apply any restrictions to the dividends that the Committee deems appropriate. Without limiting the generality of the preceding sentence, if the grant or vesting of Restricted Shares granted to a Covered Employee is designed to comply with the requirements of the Performance-Based Exception, the Committee may apply any restrictions it deems appropriate to the payment of dividends declared with respect to such Restricted Shares, such that the dividends and/or the Restricted Shares maintain eligibility for the Performance-Based Exception.

Article 9. Deferred Stock and Restricted Stock Units

9.1 Award of Deferred Stock Units. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may award Deferred Stock Units to Participants in lieu of payment of a bonus or other Award if so elected by a Participant under such terms and conditions as the Committee shall determine, including terms that provide for the grant of Deferred Stock Units valued in excess of the bonus or Award deferred.

9.2 Election to Receive Deferred Stock Units. A Participant must make an election to receive Deferred Stock Units in the calendar year before the calendar year in which the services related to the Award are first performed. The Committee may require a Participant to defer, or permit (subject to any conditions as the Committee may from time to time establish) a Participant to elect to defer, receipt of all or any portion of any payment of cash or Shares that otherwise would be due to such Participant in payment or settlement of an Award under the Plan, to the extent consistent with Section 409A of the Code. (Such payments may include, without limitation, provisions for the payment or crediting of reasonable interest in respect of deferred payments credited in cash, and the payment or crediting of dividend equivalents in respect of deferred amounts credited in stock equivalents.) Settlement of any Deferred Stock Units shall be made in a single sum of cash or Shares.

9.3 Grant of Restricted Stock Units. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Restricted Stock Units to Participants in such amounts as the Committee may determine.

9.4 Restricted Stock Units Agreement. Each Restricted Stock Unit grant shall be evidenced by a Restricted Stock Unit Award Agreement that shall specify the date or dates and any other terms and conditions on which the Restricted Stock Units may vest and such other terms and conditions of the grant as the Committee shall determine.

9.5 Form and Timing of Payment of Restricted Stock Units. Payment of vested Restricted Stock Units, or, if a Restricted Stock Unit Award is subject to partial vesting, the vested portion of such Award, shall be made in a single sum of cash or Shares or a combination thereof as soon as practicable after the Restricted Stock Units or portion of the Award vests, but in no event later than $2^1/_2$ months after the calendar year in which vesting occurs. It is intended that a Restricted Stock Unit Award be exempt from the application of Section 409A of the Code as a “short-term deferral.”

Article 10. Other Stock Unit Awards

10.1 Grant of Other Stock Unit Awards. Subject to the terms of the Plan, Other Stock Unit Awards that are valued in whole or in part by reference to, or are otherwise based on, Shares or other property, may be granted to Participants, either alone or in addition to other Awards granted under the Plan, and such Other Stock Units shall also be available as a form of payment in the settlement of other Awards granted under the Plan. Other Stock Units shall be granted upon such terms, and at any time and from time to time, as shall be determined by the Committee.

10.2 Award Agreement. Each Other Stock Unit grant shall be evidenced by an Other Stock Unit Agreement that shall specify the restrictions upon such Other Stock Units, if any, the number of Other Stock Units granted, and such other provisions as the Committee shall determine which are not inconsistent with the terms of this Plan.

Article 11. Performance Shares

11.1 Grant of Performance Shares Awards. Subject to the terms of the Plan, Performance Shares Awards may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

11.2 Award Agreement. At the Committee's discretion, each grant of Performance Shares Awards may be evidenced by an Award Agreement that shall specify the initial value, the duration of the Award, the performance measures, if any, applicable to the Award, and such other provisions as the Committee shall determine which are not inconsistent with the terms of the Plan.

11.3 Value of Performance Shares Awards. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Shares Awards that will be paid out to the Participant. For purposes of this Article 11, the time period during which the performance goals must be met shall be called a "Performance Period."

11.4 Earning of Performance Shares Awards. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Shares Awards shall be entitled to receive a payout based on the number and value of Performance Shares Awards earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved.

11.5 Form and Timing of Payment of Performance Shares Awards. Payment of earned Performance Shares Awards shall be as determined by the Committee and, if applicable, as evidenced in the related Award Agreement. Subject to the terms of the Plan, the Committee, in its sole discretion, may pay earned Performance Shares Awards in the form of cash or in Shares (or in a combination thereof) that have an aggregate Fair Market Value equal to the value of the earned Performance Shares Awards at the close of the applicable Performance Period. Such Shares may be delivered subject to any restrictions deemed appropriate by the Committee. No fractional shares will be issued. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award or the resolutions establishing the Award.

Unless otherwise provided by the Committee, Participants holding Performance Shares shall be entitled to receive dividend units with respect to dividends declared with respect to the Shares represented by such Performance Shares.

Article 12. Performance Measures

Unless and until the Committee proposes for shareholder vote and the Company's shareholders approve a change in the general performance measures set forth in this Article 12, the attainment of which may determine the degree of payout and/or vesting with respect to Awards to Covered Employees that are designed to qualify for the Performance-Based Exception, the performance measure(s) to be used for purposes of such grants shall be chosen from among: revenue, earnings per share, operating income, net income (before or after taxes), cash flow (including, but not limited to, operating cash flow and free cash flow), gross profit, growth in any of the preceding measures, gross profit return on investment, gross margin return on investment, working capital, gross margins, EBIT, EBITDA, return on equity, return on assets, return on capital, revenue growth, total shareholder return, economic value added, customer satisfaction, technology leadership, number of new patents, employee retention, market share, market segment share, product release schedules, new product innovation, cost reduction through advanced technology, brand recognition/acceptance, and product ship targets. Additionally, the Committee may exclude the impact of an event or occurrence which the Committee determines should appropriately be excluded, including an event not within the reasonable control of the Company's management.

Performance measures may be set either at the corporate level, subsidiary level, division level, or business unit level.

Awards that are designed to qualify for the Performance-Based Exception, and that are held by Covered Employees, may not be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward).

If applicable tax and/or securities laws change to permit Committee discretion to alter the governing performance measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval.

Article 13. Rights of Participants

13.1 Employment. Nothing in the Plan shall confer upon any Participant any right to continue in the Company's or its Subsidiaries' employ, or as a Director, or interfere with or limit in any way the right of the Company or its Subsidiaries to terminate any Participant's employment or directorship at any time.

13.2 Participation. No Employee or Director shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

13.3 Rights as a Stockholder. Except as provided in Sections 8.5, 8.6 and 11.5 or in the applicable Award Agreement consistent with Articles 8, 9, 10, or 11, a Participant shall have none of the rights of a shareholder with respect to shares of Company common stock covered by any Award until the Participant becomes the record holder of such Shares.

13.4 Nontransferability. Unless otherwise set forth by the Committee in an Award Agreement, Awards (except for vested shares) shall not be transferable by a Participant except by will or the laws of descent and distribution (except pursuant to a Beneficiary designation) and shall be exercisable during the lifetime of a Participant only by such Participant or his or her guardian or legal representative. Under no circumstances will an Award be transferable for value or consideration. A Participant's rights under the Plan may not be pledged, mortgaged, hypothecated, or otherwise encumbered, and shall not be subject to claims of the Participant's creditors.

Article 14. Termination of Employment/Directorship

14.1 Effect on Options. Upon termination of the Participant's employment or directorship for any reason other than Disability, death, or, in the case of NQSOs, retirement, an Option granted to the Participant may be exercised by the Participant or permitted transferee at any time on or prior to the earlier of the expiration date of the Option or the expiration of three (3) months after the date of termination but only if, and to the extent that, the Participant was entitled to exercise the Option at the date of termination.

14.2 Effect of Retirement on NQSOs. Upon termination of the Participant's employment or directorship due to retirement (as defined in the Award Agreement), a NQSO granted to the Participant may be exercised by the Participant or permitted transferee at any time on or prior to the earlier of the expiration date of the Option or one of the two following deadlines: (a) in the case of Options granted prior to July 29, 2009, the expiration of two (2) years after the date of termination due to retirement, or (b) in the case of Options granted after July 29, 2009, the expiration of five (5) years after the date of termination due to retirement. The term "retirement" has the meaning given to it in the Award Agreement. In either case, the Participant may only exercise the NQSO if, and to the extent that, the Participant was entitled to exercise the Nonqualified Stock Option at the date of termination.

14.3 Effects on Other Awards. Upon termination of the Participant's employment or directorship for any reason other than Disability or death, all Awards other than Options shall be treated as set forth in the applicable Award Agreement. If the employment or directorship of a Participant terminates by reason of the Participant's Disability or death, all Awards shall be treated as set forth in the applicable Award Agreements.

14.4 Leaves of Absence. Unless otherwise determined by the Committee, an authorized leave of absence pursuant to a written agreement or other leave entitling an Employee to reemployment in a comparable position by law or rule shall not constitute a termination of employment for purposes of the Plan unless the Employee does not return at or before the end of the authorized leave or within the period for which re-employment is guaranteed by law or rule.

14.5 Definition of Termination. For purposes of this Article, a “termination” includes an event which causes a Participant to lose his eligibility to participate in the Plan (e.g., an individual is employed by a company that ceases to be a Subsidiary). In the case of a nonemployee director, the meaning of “termination” includes the date that the individual ceases to be a director of the Company or its Subsidiaries.

14.6 Exceptions. Notwithstanding the foregoing, the Committee has the authority to prescribe different rules that apply upon the termination of employment of a particular Participant, which shall be memorialized in the Participant’s original or amended Award Agreement or similar document.

14.7 Termination of Awards. An Award that remains unexercised after the latest date it could have been exercised under any of the foregoing provisions or under the terms of the Award shall be forfeited.

Article 15. Change in Control

In the event of (1) any sale or conveyance to another entity of all or substantially all of the property and assets of the Company or (2) a Change in Control, unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchange or trading system, or unless the Committee shall otherwise specify in the Award Agreement, the Board, in its sole discretion, may:

(a) elect to terminate Options or SARs in exchange for a cash payment equal to the amount by which the Fair Market Value of the Shares subject to such Option to the extent the Option or SAR has vested exceeds the exercise price with respect to such Shares;

(b) elect to terminate Options or SARs provided that each Participant is first notified of and given the opportunity to exercise his/her vested Options for a specified period of time (of not less than 15 days) from the date of notification and before the Option or SAR is terminated;

(c) permit Awards to be assumed by a new parent corporation or a successor corporation (or its parent) and replaced with a comparable Award of the parent corporation or successor corporation (or its parent);

(d) amend an Award Agreement or take such other action with respect to an Award that it deems appropriate; or

(e) implement any combination of the foregoing.

Article 16. Amendment, Modification, and Termination

16.1 Amendment, Modification, and Termination. Subject to the terms of the Plan, the Board may at any time and from time to time, alter, amend, suspend, or terminate the Plan in whole or in part.

16.2 Awards Previously Granted. Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award. Except in connection with a corporate transaction involving the company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding awards may not be amended to reduce the exercise price of outstanding Options or SARs or cancel outstanding Options or SARS in exchange for cash, other awards or Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs without stockholder approval.

16.3 Shareholder Approval Required for Certain Amendments. Shareholder approval will be required for any amendment of the Plan that does any of the following: (a) increases the maximum number of Shares subject to the Plan; (b) changes the designation of the class of persons eligible to receive ISOs under the Plan; or (c) modifies the Plan in a manner that requires shareholder approval under applicable law or the rules of a stock exchange or trading system on which Shares are traded.

Article 17. Withholding

The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any applicable taxes (including social security or social charges), domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan. The Participant may satisfy, totally or in part, such Participant’s obligations pursuant to this Section 17 by electing to have Shares withheld, to redeliver Shares acquired under an Award, or to deliver previously owned Shares that have been held for at least six (6) months, provided that the election is made in writing on or prior to (i) the date of exercise, in the case of Options or SARs; (ii) the date of payment, in the case of Performance Shares/Deferred Stock Units/Restricted Stock Units; or (iii) the expiration of the Period of Restriction in the case of Restricted Stock. Any election made under this Section 17 may be disapproved by the Committee at any time in its sole discretion. If an election is disapproved by the Committee, the Participant must satisfy his obligations pursuant to this paragraph in cash.

Article 18. Successors

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, through merger, consolidation, or otherwise, of all or substantially all of the business, stock and/or assets of the Company.

Article 19. General Provisions

19.1 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

19.2 Severability. If any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

19.3 Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

19.4 Securities Law Compliance. With respect to Insiders, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act, unless determined otherwise by the Board. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board.

19.5 Listing. The Company may use reasonable endeavors to register Shares issued pursuant to Awards with the United States Securities and Exchange Commission or to effect compliance with the registration, qualification, and listing requirements of any state or foreign securities laws, stock exchange, or trading system.

19.6 Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

19.7 No Additional Rights. Neither the Award nor any benefits arising under this Plan shall constitute part of an employment contract between the Participant and the Company or any Subsidiary, and accordingly, subject to Section 16.2, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to liability on the part of the Company for severance payments.

19.8 Noncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange or trading system.

19.9 Governing Law. The Plan and each Award Agreement shall be governed by the laws of Massachusetts**,** excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts whose jurisdiction covers Massachusetts, to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.

19.10 Compliance with Code Section 409A. No Award that is subject to Section 409A of the Code shall provide for deferral of compensation that does not comply with Section 409A of the Code, unless the Board, at the time of grant, specifically provides that the Award is not intended to comply with Section 409A of the Code. Notwithstanding any provision in the Plan to the contrary, with respect to any Award subject to Section 409A, distributions on account of a separation from service may not be made to Key Employees before the date which is six (6) months after the date of separation from service (or, if earlier, the date of death of the employee).

Dated as of July 27, 2005
Amended July 31, 2008, July 29, 2009

Haemonetics Corporation

By: /s/ Brad Nutter
Chief Executive Officer

Date of Shareholder Approval: July 27, 2005

Amendment to Section 4.1 Approved by Shareholders: July 31, 2008

Amendment to Article 14 Approved by Compensation Committee under delegation from the Board of Directors: July 29, 2009

EXHIBIT 31.1

CERTIFICATION

I, Brian Concannon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Haemonetics Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2009

/s/ Brian Concannon

Brian Concannon, President and Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Christopher Lindop, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Haemonetics Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2009

/s/ Christopher Lindop

Christopher Lindop, Chief Financial Officer and
Vice President Business Development
(Principal Financial Officer)

EXHIBIT 32.1

Certification Pursuant To
18 USC. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes/Oxley Act of 2002

In connection with the Quarterly Report of Haemonetics Corporation (the "Company") on Form 10-Q for the period ending September 26, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian Concannon, President and Chief Executive Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2009

/s/ Brian Concannon
Brian Concannon,
President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Haemonetics and will be retained by Haemonetics and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification Pursuant To
18 USC. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes/Oxley Act of 2002

In connection with the Quarterly Report of Haemonetics Corporation (the "Company") on Form 10-Q for the period ending September 26, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher Lindop, Chief Financial Officer and Vice President Business Development of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2009

/s/ Christopher Lindop
Christopher Lindop,
Chief Financial Officer and Vice President
Business Development

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Haemonetics and will be retained by Haemonetics and furnished to the Securities and Exchange Commission or its staff upon request.