FORM 10-Q

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

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

For the quarter ended: October 2, 2004 Commission File Number: 1-10730

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

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

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

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

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

Yes |X| No |_|

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act.)

Yes |X| No |_|

The number of shares of $.01 par value common stock
outstanding as of October 2, 2004:
25,409,008

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ITEM 1. Financial Statements

HAEMONETICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited - in thousands, except share data)

	Three Months Ended		Six Months Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Net revenues	$ 90,923	$ 87,488	$ 185,525	$ 175,771
Cost of goods sold	45,374	45,880	92,876	94,328
Gross profit	45,549	41,608	92,649	81,443
Operating expenses:				
Research and development	4,253	4,622	8,307	9,619
Selling, general and administrative	27,385	27,852	55,469	54,255
Total operating expenses	31,638	32,474	63,776	63,874
Operating income	13,911	9,134	28,873	17,569
Interest expense	(636)	(767)	(1,297)	(1,553)
Interest income	502	186	865	469
Other (expense) income, net	(69)	33	(301)	(113)
Income before provision for income taxes	13,708	8,586	28,140	16,372
Provision for income taxes	4,834	3,091	9,446	5,894
Net income	$ 8,874	$ 5,495	$ 18,694	$ 10,478
Basic earnings per common share	$ 0.35	$ 0.23	$ 0.74	$ 0.43
Diluted earnings per common share	$ 0.34	$ 0.23	$ 0.73	$ 0.43
Weighted average shares outstanding				
Basic	25,258	24,120	25,207	24,092
Diluted	25,784	24,327	25,681	24,276

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

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

	October 2, 2004 (unaudited)	April 3, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 143,829	$ 118,117
Accounts receivable, less allowance of $1,731 as of October 2, 2004 and $2,261 as of April 3, 2004	83,347	82,640
Inventories	50,712	52,235
Deferred tax asset, net	16,841	21,856
Prepaid expenses and other current assets	9,526	6,601
Total current assets	304,255	281,449
Property, plant and equipment:		
Total property, plant and equipment	272,623	269,121
Less: accumulated depreciation	200,399	191,091
Net property, plant and equipment	72,224	78,030
Other assets:		
Other intangibles, less amortization of $6,530 as of October 2, 2004 and $5,569 as of April 3, 2004	27,918	24,784
Goodwill, net	17,804	17,242
Other long-term assets	5,334	5,889
Total other assets	51,056	47,915
Total assets	$ 427,535	$ 407,394
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current maturities of long-term debt	$ 28,298	$ 32,818
Accounts payable	15,105	14,249
Accrued payroll and related costs	13,280	14,547
Accrued income taxes	7,799	7,967
Other accrued liabilities	22,147	26,262
Total current liabilities	86,629	95,843
Deferred tax liability, net	1,376	1,682
Long-term debt, net of current maturities	25,199	25,442
Other long-term liabilities	4,665	4,678
Stockholders' equity:		
Common stock, $0.01 par value; Authorized - 80,000,000 shares; Issued - 32,957,146 shares at October 2, 2004 and 32,647,910 shares at April 3, 2004	330	326
Additional paid-in capital	134,915	127,744
Retained earnings	340,985	322,291
Accumulated other comprehensive loss	(2,924)	(6,535)
Stockholders' equity before treasury stock	473,306	443,826
Less: Treasury stock at cost - 7,548,138 shares at October 2, 2004 and 7,568,289 shares at April 3, 2004	163,640	164,077
Total stockholders' equity	309,666	279,749
Total liabilities and stockholders' equity	$ 427,535	$ 407,394

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

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

	Common Stock Shares	Common Stock $	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss
Balance, April 3, 2004	32,648	$326	$127,744	($164,077)	$322,291	($6,535)
Employee stock purchase plan	--	--	(42)	437	--	--
Exercise of stock options and related tax benefit	309	4	7,213	--	--	--
Net income	--	--	--	--	18,694	--
Foreign currency translation adjustment	--	--	--	--	--	(1,103)
Unrealized gain on derivatives	--	--	--	--	--	4,714
Comprehensive income	--	--	--	--	--	--
Balance, October 2, 2004	32,957	$330	$134,915	($163,640)	$340,985	($2,924)

	Total Stockholders' Equity	Comprehensive Income
Balance, April 3, 2004	$279,749	
Employee stock purchase plan	395	
Exercise of stock options and related tax benefit	7,217	
Net income	18,694	$18,694
Foreign currency translation adjustment	(1,103)	(1,103)
Unrealized gain on derivatives	4,714	4,714
Comprehensive income	--	$22,305
Balance, October 2, 2004	$309,666	

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	
	October 2, 2004	September 27, 2003
Cash Flows from Operating Activities:		
Net income	$ 18,694	$ 10,478
Adjustments to reconcile net income to net cash provided by operating activities:		
Non cash items:		
Depreciation and amortization	14,328	15,603
Deferred tax expense (benefit)	1,920	(86)
Gain on sales of plant, property and equipment	(2,905)	(979)
Tax benefit related to exercise of stock options	421	290
Unrealized loss (gain) from hedging activities	521	(48)
Change in operating assets and liabilities:		
Increase in accounts receivable, net	(1,993)	(2,165)
(Increase) decrease in inventories	(2,768)	3,624
Increase in prepaid income taxes	(1,315)	(1,186)
(Increase) decrease in other assets and other long-term liabilities	(1,033)	765
Increase (decrease) in accounts payable and accrued expenses	1,514	(3,982)
Net cash provided by operating activities	27,384	22,314
Cash Flows from Investing Activities:		
Capital expenditures on property, plant and equipment	(7,177)	(6,809)
Proceeds from sale of property, plant and equipment	5,505	2,554
Acquisition of patents	(4,019)	--
Acquisition of software development company and milestone payments	--	(1,020)
Net cash used in investing activities	(5,691)	(5,275)
Cash Flows from Financing Activities:		
Payments on long-term real estate mortgage	(224)	(205)
Net decrease in short-term revolving credit agreements	(2,975)	(3,105)
Employee stock purchase plan	395	454
Exercise of stock options	6,796	2,374
Net cash provided by (used in) financing activities	3,992	(482)
Effect of Exchange Rates on Cash and Cash Equivalents	27	329
Net Increase in Cash and Cash Equivalents	25,712	16,886
Cash and Cash Equivalents at Beginning of Year	118,117	49,885
Cash and Cash Equivalents at End of Period	$ 143,829	$ 66,771
Non-cash Investing and Financing Activities:		
Transfers from inventory to fixed assets for placements of Haemonetics equipment	$ 3,482	$ 4,266
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$ 1,179	$ 1,414
Income taxes paid	$ 8,848	$ 12,330

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

HAEMONETICS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Our accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") 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. Operating results for the six-month period ended October 2, 2004 are not necessarily indicative of the results that may be expected for the full fiscal year ending April 2, 2005. For further information, refer to the audited consolidated financial statements and footnotes included in our annual report on Form 10-K for the fiscal year ended April 3, 2004.

Certain amounts in the prior year financial statements have been reclassified to conform to the fiscal year 2005 presentation.

Our fiscal year ends on the Saturday closest to the last day of March. Fiscal year 2005 includes 52 weeks with all four quarters including 13 weeks. Fiscal year 2004 included 53 weeks with the first three quarters of the fiscal year including 13 weeks and the fourth quarter of fiscal 2004 including 14 weeks.

2. EARNINGS PER SHARE ("EPS")

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

	For the three months ended October 2, 2004	For the three months ended September 27, 2003
	(in thousands, except per share amounts)	
Basic EPS		
Net income	$ 8,874	$ 5,495
Weighted average shares	25,258	24,120
Basic earnings per share	$ 0.35	$ 0.23
Diluted EPS		
Net income	$ 8,874	$ 5,495
Basic weighted average shares	25,258	24,120
Effect of stock options	526	207
Diluted weighted average shares	25,784	24,327
Diluted earnings per share	$ 0.34	$ 0.23

	For the six months ended October 2, 2004	For the six months ended September 27, 2003
	(in thousands, except per share amounts)	
Basic EPS		
Net income	$18,694	$10,478
Weighted average shares	25,207	24,092
Basic earnings per share	$ 0.74	$ 0.43
Diluted EPS		
Net income	$18,694	$10,478
Basic weighted average shares	25,207	24,092
Effect of stock options	474	184
Diluted weighted average shares	25,681	24,276
Diluted earnings per share	$ 0.73	$ 0.43

3. STOCK-BASED COMPENSATION

We adopted the disclosure only provisions for employee stock-based compensation under Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," and continue to account for employee stock-based compensation using the intrinsic value method under Accounting Principles Board Opinion No. 25 ("APB No. 25").

At the date of grant, the exercise price of our employee stock options equals the market price of the underlying stock. Therefore, under the intrinsic value method no accounting recognition is given to options granted to employees and directors until the options are exercised. Upon exercise, net proceeds, including tax benefits realized, are credited to equity. The compensation cost for options granted to consultants is recorded at fair value in accordance with Emerging Issues Task Force "EITF" issue 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services."

Had compensation costs under our stock-based compensation plans been determined based on the fair value model of Statement of Financial Accounting Standards (SFAS) 123 "Accounting for Stock-Based Compensation," as amended by SFAS 148, the effect on our earnings per share would have been as follows:

	For the three months ended October 2, 2004	For the three months ended September 27, 2003
	(in thousands, except per share amounts)	
Net income (as reported):	$ 8,874	$ 5,495
Deduct: Total stock-based compensation expense determined under the fair value method for all awards, net of tax	(1,225)	(1,200)
Pro Forma Net Income:	$ 7,649	$ 4,295
Earnings per share:		
Basic		
As reported	$ 0.35	$ 0.23
Pro forma	$ 0.30	$ 0.18
Diluted		
As Reported	$ 0.34	$ 0.23
Pro forma	$ 0.30	$ 0.18

	For the six months ended October 2, 2004	For the six months ended September 27, 2003
	(in thousands, except per share amounts)	
Net income (as reported):	$ 18,694	$ 10,478
Deduct: Total stock-based compensation expense determined under the fair value method for all awards, net of tax	(2,643)	(2,680)
Pro Forma Net Income:	$ 16,051	$ 7,798
Earnings per share:		
Basic		
As reported	$ 0.74	$ 0.43
Pro forma	$ 0.64	$ 0.32
Diluted		
As Reported	$ 0.73	$ 0.43
Pro forma	$ 0.63	$ 0.32

4. ACCOUNTING FOR SHIPPING AND HANDLING COSTS

Shipping and handling costs are included in costs of goods sold with the exception of $1.2 million for both the three month periods ended October 2, 2004 and September 27, 2003, respectively, and $2.5 million for both the six month periods ended October 2, 2004 and September 27, 2003 which is included in selling, general and administrative expenses.

5. FOREIGN CURRENCY

We enter into forward exchange contracts to hedge the anticipated cash flows from forecasted foreign currency denominated revenues, principally Japanese Yen and Euro. The purpose of our hedging strategy is to lock in foreign exchange rates for twelve months to minimize, for this period of time, the unforeseen impact on our results of operations of fluctuations in foreign exchange rates. We also enter into forward contracts that settle within 35 days to hedge certain inter-company receivables denominated in foreign currencies. These derivative financial instruments are not used for trading purposes. The cash flows related to the gains and losses on these foreign currency hedges are classified in the consolidated statements of cash flows as part of cash flows from operating activities.

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 disposable 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	
	October 2, 2004	September 27, 2003
	(in thousands)	
Warranty accrual as of the beginning of the period	$ 751	$ 722
Warranty Provision	412	373
Warranty Spending	(412)	(443)
Warranty accrual as of the end of the period	$ 751	$ 652

	For the six months ended October 2, 2004	September 27, 2003
	(in thousands)	
Warranty accrual as of the beginning of the period	$ 677	$ 1,056
Warranty Provision	1,029	802
Warranty Spending	(955)	(1,206)
Warranty accrual as of the end of the period	$ 751	$ 652

7. COMPREHENSIVE INCOME

Comprehensive income is the total of net income and all other non-owner changes in stockholders' equity. For us, all 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 October 2, 2004	September 27, 2003
	(in thousands)	
Net income	$ 8,874	$ 5,495
Other comprehensive income:		
Foreign currency translation	159	721
Unrealized gain (loss) on cash flow hedges, net of tax	364	(2,172)
Reclassifications into earnings of cash flow hedge losses, net of tax	1,269	940
Total comprehensive income	$ 10,666	$ 4,984

	For the six months ended	
	October 2, 2004	September 27, 2003
	(in thousands)	
Net income	$ 18,694	$ 10,478
Other comprehensive income:		
Foreign currency translation	(1,103)	4,528
Unrealized gain (loss) on cash flow hedges, net of tax	2,364	(4,336)
Reclassifications into earnings of cash flow hedge losses, net of tax	2,350	2,822
Total comprehensive income	$ 22,305	$ 13,492

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.

Inventories consist of the following:

	October 2, 2004	April 3, 2004
	(in thousands)	
Raw materials	$ 15,041	$ 11,630
Work-in-process	6,691	5,340
Finished goods	28,980	35,265
	$ 50,712	$ 52,235

9. ACQUIRED INTANGIBLE ASSETS

Patents

During the current quarter, we purchased $4.0 million in patents for several products aimed at blood conservation and surgical blood salvage. The useful life assigned to the patents acquired was 10 years.

As of October 2, 2004

	Gross Carrying Amount	Accumulated Amortization	Weighted Average Useful Life (in years)
	(in thousands)		
Amortized Intangibles			
Patents	$10,389	$ 1,882	13
Other technology	11,757	2,078	15
Customer contracts and related relationships	11,809	2,570	15
Subtotal	33,955	6,530	14
Indefinite Life Intangibles			
Trade name	493	--	
Total Intangibles	$34,448	$ 6,530	Indefinite

As of April 3, 2004

	Gross Carrying Amount	Accumulated Amortization	Weighted Average Useful Life (in years)
	(in thousands)		
Amortized Intangibles			
Patents	$ 6,371	$ 1,594	14
Other technology	11,754	1,810	15
Customer contracts and related relationships	11,738	2,165	15
Subtotal	29,863	5,569	15
Indefinite Life Intangibles			
Trade name	490	--	Indefinite
Total Intangibles	$30,353	$ 5,569	

The only other changes to the net carrying value of our intangible assets from April 3, 2004 to October 2, 2004 was amortization expense and the effect of rate changes in the translation of the intangibles contained in the financial statement of our Canadian subsidiary.

Aggregate amortization expense for amortized other intangible assets was $0.5 million for both the three months ended October 2, 2004 and September 27, 2003. Additionally, expected future amortization expenses on intangible assets approximates $2.0 million for fiscal 2005, $2.9 million for fiscal years 2006 and 2007 and $2.8 million for fiscal years 2008 through 2010.

10. GOODWILL

The change in the carrying amount of our goodwill during the six months ended October 2, 2004 is as follows (in thousands):

Carrying amount as of April 3, 2004	$ 17,242
Fifth Dimension earn-out payment	1,020 (a)
Effect of change in rates used for translation	(458)
Carrying amount as of October 2, 2004	$ 17,804

(a) The acquisition of Fifth Dimension, which occurred on January 1, 2002, involved the potential for earn-out payments of up to $4.1 million based on Fifth Dimension reaching certain performance milestones prior to fiscal 2008. The payment accrued this quarter was the second milestone payment. The first milestone payment, also in the amount of $1.0 million, was earned as of the end of the fiscal year 2003 and paid during the first quarter of fiscal 2004.

11. INCOME TAXES

For the six months ended October 2, 2004, the income tax provision, as a percentage of pretax income, was 36% before the $0.6 million first quarter reversal of previously established tax reserves related to a local Japanese tax matter and a second quarter $0.1 million release of reserve in the U.S. As a consequence of these reserve adjustments, the effective tax rate was reduced to 33.6%. For the six months ended September 27, 2003, the tax rate was 36%.

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

Two of our 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	
	October 2, 2004	September 27, 2003
(in thousands):		
Service Cost	$ 141	$ 118
Interest cost on benefit obligation	38	31
Expected return on plan assets	(14)	(47)
Recognized net actuarial (gain) loss	--	42
Settlements	6	5
Amortization of unrecognized prior service cost, unrecognized gain and unrecognized initial obligation	8	10
Net periodic benefit cost	$ 179	$ 159

(in thousands):	For the six months ended October 2, 2004	For the six months ended September 27, 2003
Service Cost	$ 302	$ 239
Interest cost on benefit obligation	87	62
Expected return on plan assets	(29)	(94)
Recognized net actuarial (gain) loss	--	84
Settlements	14	11
Amortization of unrecognized prior service cost, unrecognized gain and unrecognized initial obligation	16	18
Net periodic benefit cost	$ 390	$ 320

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.

Product and Service Segmentation

We have two families of products: (1) those that serve the donor and (2) those that serve the patient. Under the donor product of families we have included blood bank, red cell and plasma collection products. The patient products are the surgical collection products.

Donor

The blood bank products include machines, single use disposables and intravenous solutions that perform "apheresis," (the separation of whole blood into its components and subsequent collection of certain components, including platelets and plasma), as well as the washing of red blood cells for certain procedures. The main devices used for this blood component processing are the MCS(R)+ 9000 system and the ACP(R) 215 automated cell processing system. In addition, the blood bank product line includes intravenous solutions used in non-apheresis applications.

Red cell products include machines, single use disposables and intravenous solutions that perform apheresis for the collection of red blood cells. The device used for the collection of red blood cells is the MCS(R)+ 8150 systems.

Plasma collection products are machines, single use disposables and intravenous solutions that perform apheresis for the collection of plasma. The devices used in automated plasma collection are the PCS(R)2 plasma collection system and the Superlite(TM).

Patient

Surgical products include machines and single use disposables that perform surgical blood salvage in transplant, orthopedic and cardiovascular surgical applications. Surgical blood salvage is a procedure whereby shed blood is collected, cleansed and made available to be transfused back to the patient. The devices used in the surgical area are the OrthoPAT(R) and the Cell Saver(R) autologous blood recovery systems.

Other

Other revenue includes revenue generated from equipment repairs performed under preventative maintenance contracts or emergency service billings and miscellaneous sales, including revenue from our software division, Fifth Dimension.

Revenues from External Customers:

(in thousands)	Three months ended	
	October 2, 2004	September 27, 2003
Donor:		
Blood Bank	$ 34,539	$ 27,869
Red Cell	6,745	5,166
Plasma	24,128	31,599
	65,412	64,634
Patient:		
Surgical	21,442	17,950
Other	4,069	4,904
Total revenues from external customers	$ 90,923	$ 87,488

(in thousands)	Six months ended	
	October 2, 2004	September 27, 2003
Donor:		
Blood Bank	$ 66,543	$ 55,460
Red Cell	16,707	9,845
Plasma	50,070	61,840
	133,320	127,145
Patient:		
Surgical	43,696	38,320
Other	8,509	10,306
Total revenues from external customers	$185,525	$175,771

15. REORGANIZATION

On August 12, 2003, during the second quarter of fiscal 2004, we announced a reorganization of our business in order to meet the needs of our two categories of customers: "Donor" and "Patient". As a result of the reorganization, we reduced our worldwide workforce of 1,500 employees by approximately 4%. No facilities were closed. The reductions resulted in a charge during the second quarter of fiscal 2004, included in selling, general and administrative expenses, for severance and related costs of $2.6 million. All payments were made during fiscal 2004.

16. SUBSEQUENT EVENT

On October 29, 2004 we invested $5 million, an 18.7% investment, in the preferred stock of a private company engaged in the development and marketing of technology for processing blood components. We also entered into an exclusive license agreement with the same company for the potential use of their technology in processing blood components. Future milestone payments could be made contingent upon the demonstration of a successful proof of concept and if certain development deliverables are completed. The potential milestone payments total $12.4 million. If these milestones are met, we would be obligated to make minimum royalty payments for commercial sales of products that incorporate this technology.

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

Our Business

We design, manufacture and market automated systems for the collection, processing and surgical salvage of donor and patient blood, including the single-use disposables used with our systems and related data management software. Our systems allow users to collect and process only the blood component(s) they target, red blood cells, platelets or plasma, increasing donor and patient safety as well as collection efficiencies. Our systems consist of proprietary disposable sets that operate on our specialized equipment. Our data management systems are used by blood collectors to improve the safety and efficiency of blood collection logistics by eliminating previously manual functions at commercial plasma and not-for-profit blood banks. We organize our business into two global product families: donor and patient to better serve our customers and better position us for continued growth.

As a general practice we place our equipment at customers' sites, with contractual requirements that customers purchase a certain number of disposables in a predetermined time frame and, in some cases, pay a fee for the use of our equipment. This disposable revenue stream (including sales of disposables and fees for the use of our equipment) accounted for approximately 92.7% and 90.8% of our total revenues for the second quarters of fiscal 2005 and fiscal 2004, respectively.

Financial Summary

(in thousands, except per share data)	For the quarter ended October 2, 2004	For the quarter ended September 27, 2003	% Increase/ (Decrease) Q205 vs. Q204
Net revenues	$ 90,923	$ 87,488	3.9%
Gross Profit	45,549	41,608	9.5
% of net revenues	50.1%	47.6%	
Operating income	13,911	9,134	52.3
% of net revenues	15.3%	10.4%	
Provision for income tax	4,834	3,091	56.4
% of net revenues	5.3%	3.5%	
Net income	8,874	5,495	61.5
% of net revenues	9.8%	6.3%	
Earnings per share-diluted	$ 0.34	$ 0.23	47.8%

Net revenues for the second quarter of fiscal 2005 increased 3.9% over the same period in fiscal 2004. The favorable effects of foreign exchange contributed 3.2% to the increase. The remaining 0.7%

increase resulted from increases in disposable revenue across our blood bank, surgical, and red cell product lines partially offset by volume decreases in our plasma product revenue, equipment revenue and miscellaneous and service revenue.

Gross profit increased 9.5% versus Q2 fiscal 2004. The favorable effects of foreign exchange accounted for a 5.6% increase in gross profit. The remaining 3.9% increase was due to the change in the mix of products being sold, price improvements and increased sales volumes. Operating income increased 52.3% over Q2 fiscal 2004. The favorable effects of foreign exchange accounted for a 15.3% increase in operating income. The remaining 37.0% was due to gross profit improvements and a decrease in operating expenses as a percentage of total revenues. Net income increased 61.5% as compared to Q2 last year. This increase was due to our higher operating income.

RESULTS OF OPERATIONS

Q2 FISCAL 2005 AS COMPARED TO Q2 FISCAL 2004

Net Revenues
By geography
(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
United States	$30,399	$32,317	$(1,918)	(5.9%)
International	60,524	55,171	5,353	9.7
Net revenues	$90,923	$87,488	$ 3,435	3.9%

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 50 countries around the world via a direct sales force as well as independent distributors.

Approximately 67% and 63% of our revenues during the second quarters of fiscal year 2005 and 2004, respectively, were generated outside the U.S. Revenues in Japan accounted for approximately 28% and 27% of total revenues for Q2 fiscal 2005 and 2004, respectively. Revenues in Europe accounted for approximately 28% of our total revenues for both Q2 of fiscal 2005 and fiscal 2004. International sales are primarily conducted in local currencies, specifically the Japanese Yen and the Euro. Accordingly, our results of operations are significantly affected by changes in the value of the Yen and the Euro relative to the U.S. dollar. The favorable effects of foreign exchange resulted in a 3.2% increase in sales.

Please see section entitled "Foreign Exchange" in this management's discussion for a more complete discussion of how foreign currency affects our business, as well as our strategy to manage this exposure.

By product type
(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
Disposables	$84,274	$79,472	$ 4,802	6.0%
Misc. & service	4,069	4,904	(835)	(17.0%)
Equipment	2,580	3,112	(532)	(17.1%)
Net revenues	$90,923	$87,488	$ 3,435	3.9%

Disposables revenue by product line
(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
Donor:				
Plasma	$24,238	$30,720	$(6,482)	(21.1%)
Blood Bank	33,338	26,731	6,607	24.7
Red Cell	6,653	5,082	1,571	30.9
Subtotal	$64,229	$62,533	$ 1,696	2.7%
Patient:				
Surgical	20,045	16,939	3,106	18.3%
Total disposables revenue	$84,274	$79,472	$ 4,802	6.0%

DONOR PRODUCTS

Donor products include the Plasma, Blood Bank and Red Cell product lines. Disposable revenue for donor products increased 2.7% compared to the second quarter of fiscal year 2004. Without the favorable impact of foreign exchange, disposable revenue for donor products was flat from the same period in the prior year. Red cell and blood bank product revenue increases were almost entirely offset by a decline in plasma product revenue, as more specifically detailed below.

Plasma

Disposable revenue in the plasma product line decreased 21.1%. Without the 2.8% favorable effect of foreign exchange, the decrease in plasma disposable revenues was 23.9%. The worldwide commercial plasma collection market is experiencing lower plasma collections both as a result of significant consolidation among plasma collectors and fractionators and as a result of an oversupply of source plasma. Of the 23.9% decline, 15.8% is attributable to volume decreases in the U.S. To-date, the most significant factor affecting the U.S. plasma business has been the loss of our U.S. customer, Alpha Therapeutic Corporation ("Alpha") (whose plasma collection operations were purchased and closed by our only plasma competitor in October 2003, the third quarter of fiscal 2004). The remaining 8.1% decrease in plasma revenues is a result of plasma collection declines in Asia, Europe and Japan.

Blood Bank

Blood Bank disposable revenues increased 24.7%. The favorable effects of foreign exchange resulted in a 3.8% increase in blood bank disposable revenues as the majority of our blood bank business is comprised of platelet disposable sales and a majority of these sales occur in Europe and Japan. The remaining 20.9% increase in blood bank disposable revenue was spread almost equally between Japan, the U.S. and Asia. In Japan, the increase in Blood Bank disposable revenue was due to several factors including: (i) platelet market share gains in Japan achieved in the fourth quarter of fiscal year 2004, which we have sustained during the first half of fiscal year 2005 and, (ii) a product mix shift from non-filtered sets to higher-priced filtered platelet sets as compared to the second quarter of fiscal 2004. In the U.S. the increase in Blood Bank disposable revenue was due to increases in intravenous solution sales. In Asia, the increase in Blood Bank disposable revenue was as a result of comparison to low platelet collections in the second quarter of fiscal 2004 when there were fewer Asian blood collections because of the impact to the region of the SARS virus.

Red Cell

Red Cell disposable revenue increased 30.9%. The favorable effects of foreign exchange resulted in a 1.9% increase in red cell disposable revenues. The remaining 29.0% increase is due to the continuing adoption of our automated collection technology in the United States where we continue to see blood shortages. In fiscal 2005, blood collectors continue to increase the use of our technology to increase the supply of red cells from eligible donors, to reduce collection costs, and to improve operating quality and efficiency. Increased U.S. sales of our higher priced filtered sets, which include a filter to remove white blood cells from the collected blood, also contributed to the revenue increase.

PATIENT PRODUCTS

Surgical

The surgical product line has two major brand platforms: the Cell Saver brand and the OrthoPAT brand. Disposable revenue for the surgical product line, in total, increased 18.3%. The favorable effects of foreign exchange accounted for a 3.5% increase with the remaining 14.8% increase largely attributable to increases in OrthoPAT disposable revenues.

Cell Saver disposables revenue increased 9.0% for the quarter. The favorable effects of foreign exchange resulted in a 3.7% increase in cell saver disposable revenues. The remaining 5.3% increase for the quarter is due to an increase in volume in our European and U.S. markets. In Europe, the Cell Saver system is used in both high and low blood loss surgeries, including the orthopedic market.

OrthoPAT disposable revenues increased 70.6%. Orthopedic surgeons continue to adopt surgical blood salvage as an effective alternative to using blood from patient pre-donation or from donated blood in hip and knee replacements and other orthopedic surgeries. The favorable effects of foreign exchange accounted for 3.0% of the increase in OrthoPAT disposable revenues.

Other Revenues
(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
Miscellaneous & Service	$ 4,069	$ 4,904	$ (835)	(17.0%)
Equipment	2,580	3,112	(532)	(17.1%)
Total other revenues	$ 6,649	$ 8,016	$(1,367)	(17.1%)

Our miscellaneous and service revenue includes revenue from repairs performed under preventive maintenance contracts or emergency service visits, spare part sales, various training programs and revenue from our software division, Fifth Dimension.

Miscellaneous and service revenue decreased 17.0%. Without the favorable effects of foreign currency, the decrease would have been 20.2%. A 14.2% decrease in miscellaneous and service revenue was due to reduced software revenue from Fifth Dimension. Fifth Dimension currently sells its products primarily to plasma customers who have been negatively impacted by the recent volatility and consolidation in the worldwide commercial plasma collection market.

Revenue from equipment sales decreased 17.1%. Without the favorable effects of foreign currency, the decrease would have been 21.2%. Equipment sales are variable and as such fluctuate from period to period.

Gross profit
(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
Gross Profit	$ 45,549	$ 41,608	$3,941	9.5%
% of net sales	50.1%	47.6%		

Gross profit increased 9.5% versus Q2 fiscal 2004. The favorable effects of foreign exchange accounted for a 5.6% increase in gross profit. The remaining 3.9% increase was due to the change in the mix of products being sold, price improvements and increased sales volumes

Operating Expenses
(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
Research and development	$ 4,253	$ 4,622	$ (369)	(8.0%)
Selling, general and administrative	$27,385	$27,852	$ (467)	(1.7)%
Total operating expenses	$31,638	$32,474	$ (836)	(2.6%)

Research and Development

Research and Development expenses were down slightly from spending in the second quarter of the prior year due to our restructuring in the second quarter of fiscal year 2004 which lowered our head count. We anticipate an increase in R&D spending in the third and fourth quarter of this fiscal year to support the R&D projects currently in our pipeline, including the CardioPAT(TM) system, a surgical product, as well as enhancements to the MCS multi component platelet collection platform.

Selling, general and administrative

For the second quarter of fiscal 2005 selling, general and administrative expenses decreased 1.7%. Without the 2.9% unfavorable effect of foreign exchange, the decrease in selling, general and administrative expenses was 4.6%. The 4.6% or $1.3 million decrease was a result of $2.6 million in severance costs charged to selling, general and administrative expenses during the second quarter of fiscal 2004 as part of our reorganization (see note 15) partially offset by current quarter increases in personnel-related expenses in marketing to support our higher level of sales.

Operating income
(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
Operating Income	$ 13,911	$ 9,134	$4,777	52.3%
% of net sales	15.3%	10.4%		

Operating income for the quarter increased 52.3% over the prior year. An increase of 15.3% was due to foreign exchange. The remaining 37.0% increase was a result of the effect of gross profit improvements and lower operating expenses.

Other expense, net
(in thousands)

	October 2, 2004	September 27, 2003	$ Change	% Change
Interest expense	$(636)	$(767)	131	17.1%
Interest income	502	186	316	169.9%
Other (expense) income, net	(69)	33	(102)	(309.1%)
Total other expense, net	$(203)	$(548)	$ 345	(63.0%)

Several factors contributed to the decrease in total other expense, net: (1) a decrease in interest expense as we had lower average debt outstanding as compared to fiscal 2004, (2) an increase in interest income due to higher cash balances during the year, (3) offset by an increase in other expense, net as a result of increases in other miscellaneous expenses (such as royalty expense) partially offset by increases in other miscellaneous incomes (such as hedge points) over the second quarter of fiscal year 2004.

Income taxes

The income tax provision, as a percentage of pretax income, was 35.3% incorporating a 36.0% natural tax rate reduced by a $0.1 million reserve release in the U.S. The income tax provision, as a percentage of pretax income, was 36% for the second quarter of fiscal 2004. We expect our natural tax rate to approximate 36.0% for the remainder of fiscal 2005, although future reserve adjustments may increase or decrease the reported effective tax rate.

Financial Summary

	For the six months ended		
(in thousands, except per share data)	October 2, 2004	September 27, 2003	% Increase/ (Decrease) 05 vs. 04
Net revenues	$ 185,525	$175,771	5.5%
Gross Profit	92,649	81,443	13.8
% of net revenues	49.9%	46.3%	
Operating income	28,873	17,569	64.3
% of net revenues	15.6%	10.0%	
Provision for income tax	9,446	5,894	60.3
% of net revenues	5.1%	3.4%	
Net income	18,694	10,478	78.4
% of net revenues	10.1%	6.0%	
Earnings per share-diluted	$ 0.73	$ 0.43	69.8%

Net revenues for the first six months of fiscal 2005 increased 5.5% over the same period in fiscal 2004. The favorable effects of foreign exchange contributed 4.7% to the increase. The remaining 0.8% increase resulted from increases in disposable revenue across our blood bank, surgical, and red cell product lines, and increases in equipment revenue. These increases were almost entirely offset by volume decreases in our plasma product line and in miscellaneous and service revenue.

Gross profit increased 13.8% versus the first six months of fiscal 2004. The favorable effects of foreign exchange accounted for an 8.7% increase in gross profit. The remaining 5.1% increase was due to the change in the mix of products being sold, price improvements and increased sales volumes. Operating income increased 64.3% over the first six months of fiscal 2004 due to gross profit improvements and a decrease in operating expenses. Net income increased 78.4% as compared to the first six months of last year. This increase was due to two factors: (i) higher operating margin, and (ii) a reduction in our year to date tax rate to 33.6% due to the release of income tax reserves of $0.6 million in Japan during the first quarter of fiscal 2005 and $0.1 million in the U.S. during the second quarter of fiscal 2005.

RESULTS OF OPERATIONS

FISCAL 2005 AS COMPARED TO FISCAL 2004

Net Revenues
By geography
(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
United States	$ 63,310	$ 63,869	$ (559)	(0.9)%
International	122,215	111,902	10,313	9.2
Net revenues	$185,525	$175,771	$ 9,754	5.5%

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 50 countries around the world via a direct sales force as well as independent distributors.

Approximately 65.9% and 63.7% of our revenues during the first six months of fiscal year 2005 and 2004, respectively, were generated outside the U.S. Revenues in Japan accounted for approximately 28.1% and 26.5% of total revenues for the first six months of fiscal 2005 and 2004, respectively. Revenues in Europe accounted for approximately 29.2% and 28.5% of our total revenues for the first six months of fiscal 2005 and fiscal 2004, respectively. International sales are primarily conducted in local currencies, specifically the Japanese Yen and the Euro. Accordingly, our results of operations are significantly affected by changes in the value of the Yen and the Euro relative to the U.S. dollar. The favorable effects of foreign exchange resulted in a 4.7% increase in sales.

Please see section entitled "Foreign Exchange" in this management's discussion for a more complete discussion of how foreign currency affects our business, as well as our strategy to manage this exposure.

By product type
(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
Disposables	$167,763	$157,867	$ 9,896	6.3%
Misc. & service	8,509	10,306	(1,797)	(17.4)
Equipment	9,253	7,598	1,655	21.8
Net revenues	$185,525	$175,771	$ 9,754	5.5%

Disposables revenue by product line
(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
Donor:				
Plasma	$ 49,724	$ 60,309	$(10,585)	(17.6%)
Blood Bank	64,107	52,680	11,427	21.7
Red Cell	13,114	9,646	3,468	36.0
Subtotal	$126,945	$122,635	$ 4,310	3.5%
Patient:				
Surgical	40,818	35,232	5,586	15.9%
Total disposables revenue	$167,763	$157,867	$ 9,896	6.3%

DONOR PRODUCTS

Donor products include the Plasma, Blood Bank and Red Cell product lines. Disposable revenue for all donor products increased 3.5% compared to the first six months of fiscal year 2004. The favorable effects of foreign exchange increased donor disposable revenue 4.8%. Without this favorable impact of foreign exchange, disposable revenue declined 1.3% from the same period in the prior year. Red cell and blood bank product revenues increases were more than offset by a decline in plasma product revenue, as more specifically detailed below.

Plasma

Disposable revenue in the plasma product line decreased 17.6%. Without the 4.0% favorable effect of foreign exchange, the decrease in plasma disposable revenues was 20.5%. The worldwide commercial plasma collection market is experiencing lower plasma collections both as a result of significant consolidation among plasma collectors and fractionators and as a result of an oversupply of source plasma. Of the 20.5% decline, 14.9% is attributable to volume decreases in the U.S. To date, the most significant factor affecting the U.S. plasma business has been the loss of our U.S. customer, Alpha Therapeutic Corporation ("Alpha") (whose plasma collection operations were purchased and closed by our only plasma competitor in October 2003, the third quarter of fiscal 2004). The remaining 5.6% decrease in plasma revenue is a result of plasma collection declines in Europe, Asia and Japan.

Blood bank

Blood bank disposable revenues increased 21.7%. The favorable effects of foreign exchange resulted in a 6.2% increase in blood bank disposable revenues as the majority of our blood bank business is comprised of platelet disposable sales and the majority of these sales occur in Europe and Japan. A 7.3% increase in blood bank disposable revenue was a result of the following two factors in Japan: (i) platelet market share gains in Japan achieved in the fourth quarter of fiscal year 2004, which we sustained during fiscal year 2005 and (ii) a product mix shift from non-filtered sets to higher-priced filtered platelet sets, as compared to the second quarter of fiscal 2004. The remaining 8.2% increase in blood bank disposable revenue was equally spread between Asia and the U.S. In Asia, the increase in Blood Bank disposable revenue was as a result of comparison to low platelet collections in the second quarter of fiscal 2004 when there were fewer Asian blood collections because of the impact to the region of the SARS virus. In the U.S. the increase in Blood Bank disposable revenue was due to increases in intravenous solution sales.

Red Cell

Red Cell disposable revenue increased 36.0%. The favorable effects of foreign exchange resulted in a 2.6_% increase in red cell disposable revenues. The remaining 33.4% increase is due to the continuing adoption of our technology in the United States where we continue to see blood shortages. In fiscal 2005 blood collectors continue to increase the use of our technology to increase the supply of red cells from eligible donors, to reduce collection costs, and to improve operating quality and efficiency. Increased U.S. sales of our higher priced filtered sets, which include a filter to remove white blood cells from the collected blood, also contributed to the revenue increase.

PATIENT PRODUCTS

Surgical

The surgical product line has two major brand platforms: the Cell Saver brand and the OrthoPAT brand. Disposable revenue for the surgical product line increased 15.9%. The favorable effects of foreign exchange accounted for a 5.0% increase with the remaining 10.9% increase largely attributable to increases in OrthoPAT disposable revenues.

Cell Saver disposables revenue increased 6.5% during fiscal 2005. Without the 5.4% favorable effect of foreign exchange, Cell Saver disposable revenues increased 1.1%. The 1.1% increase is due primarily to an increase in volume in our European markets. In Europe, the Cell Saver system is used in both high and low blood loss surgeries, including the orthopedic market.

OrthoPAT disposable revenues increased 70.9%. Orthopedic surgeons continue to adopt surgical blood salvage as an effective alternative to using blood from patient pre-donation or from donated blood in hip and knee replacements and other orthopedic surgeries. The favorable effects of foreign exchange accounted for a 3.8% of the increase in OrthoPAT disposable revenues.

Other Revenues
(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
Miscellaneous & Service	$ 8,509	$10,306	$(1,797)	(17.4%)
Equipment	9,253	7,598	1,655	21.8%
Total other revenues	$17,762	$17,904	$ (142)	(0.8%)

Our miscellaneous and service revenue includes revenue from repairs performed under preventive maintenance contracts or emergency service visits, spare part sales, various training programs and revenue from our software division, Fifth Dimension.

Miscellaneous and service revenue decreased 17.4%. Without the favorable effects of foreign currency, the decrease would have been 21.4%. A 14.0% decrease in miscellaneous and service revenue was due to reduced software revenue from Fifth Dimension. Fifth Dimension currently sells its products primarily to plasma customers who have been negatively impacted by the recent volatility and consolidation in the worldwide commercial plasma collection market.

Revenue from equipment sales increased 21.8%. The favorable effects of foreign exchange accounted for a 3.1% increase. The remaining increase of 18.7% was due primarily to a large sale to a red cell customer during the first quarter of fiscal 2005. Equipment sales are variable and as such fluctuate from period to period.

Gross profit
(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
Gross Profit	$92,649	$81,443	$11,206	13.8%
% of net sales	49.9%	46.3%		

Gross profit increased 13.8% versus the first six months of fiscal 2004. The favorable effects of foreign exchange accounted for an 8.7% increase in gross profit. The remaining 5.1% increase was due to the change in the mix of products being sold, price improvements and increased sales volumes.

Operating Expenses
(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
Research and development	$ 8,307	$ 9,619	$(1,312)	(13.6%)
Selling, general and administrative	55,469	54,255	1,214	2.2%
Total operating expenses	63,776	$63,874	$ (98)	(0.2)%

Research and Development

Research and Development expenses were down from spending in the first half of the prior year due to our restructuring in the second quarter of fiscal year 2004 which lowered our head count. We anticipate an increase in R&D spending later in the third and fourth quarter of this fiscal year to support the R&D projects currently in our pipeline, including the CardioPAT(TM) system, a surgical product, as well as enhancements to the MCS multi component platelet collection platform.

Selling, general and administrative

For the first half of fiscal 2005 selling, general and administrative expenses increased 2.2%. Without the 3.2% unfavorable effect of foreign exchange, selling, general and administrative expenses decreased 1.0%. The 1.0% decrease was a result of $2.6 million in severance costs charged to selling, general and administrative expenses during the second quarter of fiscal 2004 as part of our reorganization (see note 15) partially offset by increases in personnel-related expenses in marketing to support our higher level of sales.

Operating income

(in thousands)

	October 2, 2004	September 27, 2003	$ Increase/ (Decrease)	% Increase/ (Decrease)
Operating Income	$28,873	$17,569	$11,304	64.3%
% of net sales	15.6%	10.0%		

Operating income for the first half of fiscal 2005 increased 64.3% over the prior year. An increase of 28.5% was due to foreign exchange. The remaining 35.8% increase was a result of the effect of gross profit improvements.

Other expense, net

(in thousands)

	October 2, 2004	September 27, 2003	$ Change	% Change
Interest expense	$(1,297)	$(1,553)	$ 256	16.5%
Interest income	865	469	396	84.4
Other (expense), net	(301)	(113)	(188)	(166.4)
Total other expense, net	$ (733)	$(1,197)	$ 464	38.8%

Several factors contributed to the decrease in total other expense, net: (1) a decrease in interest expense as we had lower average debt outstanding as compared to fiscal 2004, (2) an increase in interest income due to higher cash balances during the year, (3) offset by an increase in other expense, net as a result of increases in other miscellaneous expenses (such as royalty expense).

Income taxes

For the first six months of fiscal 2005, the income tax provision, as a percentage of pretax income, was 33.6% incorporating a 36.0% natural tax rate reduced by reserve releases for $0.6 million in Japan during the first quarter of fiscal 2005, and $0.1 million in the U.S. during the second quarter of fiscal 2005. For the first six months of fiscal 2004, the natural tax rate was 36%. We expect our natural tax rate to approximate 36.0% for the remainder of fiscal 2005, although future reserve adjustments may increase or decrease the reported effective tax rate.

Liquidity and Capital Resources

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

(dollars in thousands)	October 2, 2004	April 3, 2004
Cash & cash equivalents	$143,829	$118,117
Working capital	$217,626	$185,606
Current ratio	3.5	2.9
Net cash (debt) position (1)	$ 90,332	$ 59,857
Days sales outstanding (DSO)	78	76
Disposables finished goods inventory turnover	6.6	5.7

(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 and bank borrowings. We believe these sources to be sufficient to fund our requirements, which are primarily capital expenditures (including systems to improve our product life cycle management), acquisitions, new business and product development and working capital for at least the next twelve months.

Cash Flow Overview:

	For the six months ended October 2, 2004	September 27, 2003	Change
	(In thousands)		
Net cash provided by (used in):			
Operating activities	$ 27,384	$ 22,314	$ 5,070
Investing activities	(5,691)	(5,275)	(416)
Financing activities	3,992	(482)	4,474
Effect of exchange rate changes on cash (1)	27	329	(302)
Net increase in cash and cash equivalents	$ 25,712	$ 16,886	$ 8,826

(1) The balance sheet is affected by spot exchange rates used to translate local currency amounts into U.S. dollars. In comparing spot exchange rates during the six months ended fiscal 2005 versus the six months ended fiscal 2004, the European currencies and the Japanese Yen have weakened against the U.S. dollar. In accordance with GAAP, only the effect of foreign currency on cash is included on our cash flow statement.

FISCAL 2005 AS COMPARED TO FISCAL 2004

Operating Activities:

Net cash provided by operating activities was $27.4 million for the first six months of fiscal 2005, an increase of $5.0 million from the same period in the prior year, due primarily to:

- $7.7 million more cash provided by net income adjusted for non-cash items,

- $6.4 million more cash used by inventory during fiscal 2005 as inventory balances decreased during the first half of fiscal 2004,

- $5.5 million less cash used by accounts payable and accrued expenses due primarily to lower tax payments in fiscal 2005.

- $1.8 million more cash used in other assets and other long-term liabilities due to fiscal 2005 increases in stock option receivables and insurance prepayments. The increase in stock option receivables is a result of the higher stock option activity in fiscal 2005 as compared to fiscal 2004. Insurance prepayments are higher in fiscal 2005 as compared to fiscal 2004 due both to rate increases and timing of payments.

Investing Activities:

Net cash from investing activities decreased $0.4 million as a result of the $4.0 million spent to acquire patents in the current quarter offset by 1) an increase in proceeds from the sale of property, plant and equipment due primarily to a significant sale of our equipment to a red cell customer at the end of the first quarter of fiscal 2005 and 2) milestone payments made in fiscal 2004 related to Fifth Dimension.

During the first six months of fiscal 2005, we had capital expenditures of $7.2 million, an increase of $0.4 million over the first six months of fiscal 2004.

Financing Activities:

Net cash provided by financing activities increased $4.5 million primarily due to an increase in proceeds from stock option exercises during the first six months of fiscal 2005.

Inflation

We do not believe that inflation has had a significant impact on our results of operations for the periods presented. Historically, we believe we have been able to minimize the effects of inflation by improving our manufacturing and purchasing efficiencies, by increasing employee productivity and by adjusting the selling prices of new products.

Foreign Exchange

Approximately 66% of our sales are generated outside the U.S. in local currencies, yet our reporting currency is the U.S. dollar. Our primary foreign currency exposures in relation to the U.S. dollar are the Japanese Yen and the Euro. 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.

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 out, 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 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.

We compute a composite rate index for purposes of measuring, comparatively, the change in foreign currency hedge spot rates from the hedge spot rates of the corresponding period in the prior year. The relative value of currencies in the index is weighted by sales in those currencies. The composite was set at 1.00 based upon the weighted rates at March 31, 1997. The composite rate is presented in the period corresponding to the maturity of the underlying forward contracts.

The favorable or (unfavorable) changes are in comparison to the same period of the prior year. A favorable change is presented when we will obtain relatively more U.S. dollars for each of the underlying foreign currencies than we did in the prior period. An unfavorable change is presented when we obtain relatively fewer U.S. dollars for each of the underlying foreign currencies than we did in the prior period. These indexed hedge rates impact sales, and as a result also gross profit, operating income and net income, in our financial statements. The final impact of currency fluctuations on the results of operations is dependent on the local currency amounts hedged and the actual local currency results.

			Composite Index Hedge Spot Rates	Favorable / (Unfavorable) Change versus Prior Year
FY2001		Q1	1.04	5.4%
		Q2	1.00	8.2%
		Q3	0.92	12.9%
		Q4	0.97	10.2%
2001	Total		0.98	9.1%

FY2002		Q1	0.99	5.2%
		Q2	0.97	3.3%
		Q3	1.01	(8.6%)
		Q4	1.05	(7.5%)
2002	Total		1.00	(2.0%)
FY2003		Q1	1.09	(8.9%)
		Q2	1.08	(10.3%)
		Q3	1.10	(8.1%)
		Q4	1.17	(11.0%)
2003	Total		1.11	(9.5%)
FY2004		Q1	1.13	(3.6%)
		Q2	1.05	3.6%
		Q3	1.06	3.2%
		Q4	1.01	15.9%
2004	Total		1.06	4.9%
FY2005		Q1	0.97	15.7%
		Q2	0.99	5.1%
		Q3	0.92	15.5%
		Q4	0.89	14.1%
2005	Total		0.94	12.7%
FY2006		Q1	0.92	5.2%
		Q2	0.91	9.1%
		Q3	0.89*	3.5%

* NOTE: Represents hedges for October FY06.

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, 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 October 2, 2004, 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	Maturity
Euro	5,500,000	$1.183		$1.171		($333,768)	Oct-Nov 2004
Euro	8,250,000	$1.254		$1.244		$98,133	Dec 2004-Feb 2005
Euro	7,600,000	$1.196		$1.192		($295,852)	Mar-May 2005
Euro	7,400,000	$1.227		$1.226		($52,998)	Jun-Aug 2005
Japanese Yen	1,325,000,000	109.0	per US$	107.7	per US$	$329,982	Oct-Nov 2004
Japanese Yen	1,725,000,000	106.9	per US$	105.6	per US$	$659,349	Dec 2004-Feb 2005
Japanese Yen	1,650,000,000	110.4	per US$	108.3	per US$	$159,783	Mar-May 2005
Japanese Yen	1,720,000,000	110.0	per US$	107.7	per US$	$150,872	Jun-Aug 2005
				Total:		$715,501	

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 $10.5 million increase in the fair value of the forward contracts; whereas a 10% weakening of the U.S. dollar would result in a $11.8 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. At October 2, 2004, the fair value of our long-term debt was approximately $2.2 million higher than the value of the debt reflected on our financial statements. This higher fair market is entirely related to our $17.1 million, 7.05% fixed rate senior notes and our $8.1 million, 8.41% real estate mortgage.

At September 27, 2003, the fair value of our long-term debt was approximately $3.6 million higher than the value of the debt reflected on our financial statements. This higher fair market is entirely related to our $22.9 million, 7.05% fixed rate senior notes and our $8.5 million, 8.41% real estate mortgage.

Using scenario analysis, if interest rate on all long-term maturities changed by 10% from the rate levels that existed at October 2, 2004 the fair value of our long-term debt would change by approximately $0.2 million.

ITEM 4. CONTROLS AND PROCEDURES

We conducted an evaluation, as of October 2, 2004, 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 to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities.

There was no change in our internal control over financial reporting during the six months ended October 2, 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable

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

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

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

On July 27, 2004, the Company held its annual meeting of stockholders. At the meeting, Yutaka Sakurada was elected as a Director for a term ending in 2005. The voting results were as follows:

	For	Against	Withheld
Yutaka Sakurada	23,145,266	--	289,019
Ratification of Ernst & Young LLP as Independent Public Accountants	23,100,005	327,223	7,057

Item 5. Other Information

None

Item 6. Exhibits

31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002, of Brad Nutter, President and Chief Executive Officer of the Company

31.2 Certification pursuant to Section 302 of Sarbanes-Oxley of 2002, of Ronald J. Ryan, Vice President and Chief Financial Officer 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 Brad Nutter, 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 Ronald J. Ryan, Vice President and Chief Financial Officer 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 10, 2004 By: s/ Brad Nutter

Brad Nutter, President and Chief Executive Officer

Date: November 10, 2004 By: s/ Ronald J. Ryan

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

EXHIBIT 31.1

CERTIFICATION

I, Brad Nutter, President and Chief Executive Officer of Haemonetics Corporation, 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)) 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) 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

c) 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 10, 2004

s/ Brad Nutter

Brad Nutter, President and
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Ronald J. Ryan, Vice President and Chief Financial Officer of Haemonetics Corporation, 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)) 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) 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

   c) 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 10, 2004

s/ Ronald J. Ryan

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

EXHIBIT 32.1

Certification Pursuant To
18 U.S.C. 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 October 2, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brad Nutter, 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 10, 2004

s/ Brad Nutter

Brad Nutter,
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 U.S.C. 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 October 2, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald J. Ryan, Vice President and Chief Financial 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 10, 2004

s/ Ronald J. Ryan

Ronald J. Ryan,
Vice President and Chief Financial 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.