FORM 10-Q

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

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

For the quarter ended: December 28, 2002   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

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

24,237,965 shares of Common Stock, $ .01 par value, as of December 28, 2002

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	Three Months Ended		Nine Months Ended	
	December 28, 2002	December 29, 2001	December 28, 2002	December 29, 2001
Net Revenues	$87,115	$84,411	$256,075	$240,916
Cost of goods sold	46,174	43,176	137,597	123,569
Gross profit	40,941	41,235	118,478	117,347
Operating expenses:				
Research and development	4,633	5,146	14,682	14,948
Selling, general and administrative	24,486	23,283	72,456	67,107
Acquired research and development	-	10,000	-	10,000
Total operating expenses	29,119	38,429	87,138	92,055
Operating income	11,822	2,806	31,340	25,292
Interest expense	(783)	(895)	(2,530)	(2,858)
Interest income	325	1,002	1,111	3,179
Other income, net	549	463	1,637	2,191
Income before provision for income taxes	11,913	3,376	31,558	27,804
Provision for income taxes	1,566	944	7,656	7,784
Income before cumulative effect of change in accounting principle	10,347	2,432	23,902	20,020
Cumulative effect of change in accounting principle, net of tax	-	-	-	2,304
Net income	$10,347	$ 2,432	$ 23,902	$ 22,324
Basic income per common share				
Income before cumulative effect of change in accounting principle	$ 0.43	$ 0.09	$ 0.97	$ 0.76
Cumulative effect of change in accounting principle, net of tax				0.09
Net income	$ 0.43	$ 0.09	$ 0.97	$ 0.85
Diluted income per common share				
Income before cumulative effect of change in accounting principle	$ 0.42	$ 0.09	$ 0.95	$ 0.73
Cumulative effect of change in accounting principle, net of tax				0.08
Net income	$ 0.42	$ 0.09	$ 0.95	$ 0.82
Weighted average shares outstanding				
Basic	24,295	26,445	24,752	26,237
Diluted	24,573	27,525	25,280	27,240

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

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

	December 28, 2002	March 30, 2002
ASSETS		
Current assets:		
Cash and short term investments	$ 49,666	$ 34,913
Available for sale investments		32,636
Accounts receivable, less allowance of $1,368 at December 28, 2002 and $1,298 at March 30, 2002	79,198	63,743
Inventories	70,138	67,244
Current investment in sales type leases, net	2,661	2,783
Deferred tax asset	23,347	18,943
Other prepaid and current assets	12,916	12,573
Total current assets	237,926	232,835
Property, plant and equipment	237,111	218,819
Less accumulated depreciation	155,355	133,942
Net property, plant and equipment	81,756	84,877
Other assets:		
Investment in sales type leases, net (long term)	3,523	3,234
Other intangibles, less accumulated amortization of $3,302 at December 28, 2002 and $1,977 at March 30, 2002	22,930	24,204
Goodwill, net	14,913	14,168
Deferred tax asset	1,636	2,275
Other long term assets	3,238	3,328
Total other assets	46,240	47,209
Total assets ...	$365,922	$364,921
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current maturities of long term debt	$ 44,878	$ 31,356
Accounts payable	11,296	12,536
Accrued payroll and related costs	12,505	12,696
Accrued income taxes	19,738	11,355
Other accrued liabilities	21,163	16,155
Total current liabilities	109,580	84,098
Long term debt, net of current maturities	31,721	40,787
Other long term liabilities	3,357	3,212
Stockholders' equity:		
Common stock, $.01 par value; Authorized - 80,000,000 shares; Issued 31,621,561 shares at December 28, 2002; 31,453,511 shares at March 30, 2002	316	315
Additional paid in capital	108,053	104,261
Retained earnings	288,494	264,592
Accumulated other comprehensive loss	(15,450)	(16,395)
Stockholders' equity before treasury stock	381,413	352,773
Less: treasury stock 7,383,596 shares at cost at December 28, 2002 and 5,812,943 shares at cost at March 30, 2002	160,149	115,949
Total stockholders' equity	221,264	236,824
Total liabilities and stockholders' equity	$365,922	$364,921

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

HAEMONETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(unaudited, in thousands)

	Common Stock Shares	Common Stock $'s	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Comprehensive Income
Balance, March 30, 2002	31,454	$315	$104,261	$(115,949)	$264,592	$(16,395)	$236,824	
Employee stock purchase plan	---	---	16	780	---	---	796	
Exercise of stock options and related tax benefit	168	1	3,776				3,777	
Purchase of treasury stock				(44,980)			(44,980)	
Net income	---	---	---	---	23,902	---	23,902	$23,902
Foreign currency translation adjustment						6,702	6,702	6,702
Unrealized loss on derivatives	---	---	---	---	---	(5,757)	(5,757)	(5,757)
Comprehensive income								$24,847
Balance, December 28, 2002	31,622	$316	$108,053	$(160,149)	$288,494	$(15,450)	$221,264	

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

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

	Nine Months Ended	
	December 28, 2002	December 29, 2001
Cash Flows from Operating Activities:		
Net income	$ 23,902	$ 22,324
Adjustments to reconcile net income to net cash provided by operating activities:		
Non cash items:		
Depreciation and amortization	22,168	19,226
Deferred income taxes	(851)	13
Tax benefit related to the exercise of stock options	612	
Gain from exchange activities	(1,599)	(804)
Change in operating assets and liabilities:		
Increase in accounts receivable - net	(10,045)	(5,526)
Increase in inventories	(7,207)	(13,348)
Decrease in sales-type leases (current)	215	1,421
Increase in prepaid income taxes	(3,913)	(1,201)
Decrease (increase) in other assets	395	(3,974)
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	5,648	(1,936)
Net cash provided by operating activities	29,325	16,195
Cash Flows from Investing Activities:		
Purchases of available for sale investments, net of maturities	(11,670)	(71,274)
Gross proceeds from sale of available for sale investments	44,306	57,779
Capital expenditures on property, plant and equipment, net of retirements and disposals	(9,128)	(16,588)
Net (increase) decrease in sales-type leases (long-term)	(197)	2,606
Net cash provided by (used in) investing activities	23,311	(27,477)
Cash Flows from Financing Activities:		
Payments on long-term real estate mortgage	(311)	(174)
Net increase in short-term revolving credit agreements	8,455	12,857
Payments on long-term credit agreements	(5,714)	(5,706)
Employee stock purchase plan- purchases	796	553
Exercise of stock options and related tax benefit	3,165	15,126
Purchase of treasury stock	(44,980)	
Net cash (used in) provided by financing activities	(38,589)	22,656
Effect of exchange rates on cash and cash equivalents	706	85
Net increase in cash and cash equivalents	14,753	11,459
Cash and cash equivalents at beginning of period	34,913	41,441
Cash and cash equivalents at end of period	$ 49,666	$ 52,900
Non-cash investing and financing activities:		
Transfers from inventory to fixed assets for Haemonetics placement equipment	$ 7,631	$ 3,519
Reclassifications from long-term credit agreements to short-term credit agreements	$ 2,512	
Supplemental disclosures of cash flow information:		
Interest paid	$ 3,033	$ 3,481
Income taxes paid	$ 3,772	$ 7,059

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 nine-month period ended December 28, 2002 are not necessarily indicative of the results that may be expected for the full fiscal year ending March 29, 2003. 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 March 30, 2002.

Certain amounts in the prior year financial statements have been reclassified to conform to the fiscal year 2003 presentation.

Our fiscal year ends on the Saturday closest to the last day of March. Both fiscal year 2003 and 2002 include 52 weeks with all quarters during both fiscal years including 13 weeks.

2. ACCOUNTING FOR SHIPPING AND HANDLING COSTS

In accordance with Emerging Issues Task Force No. 00-10, ("EITF 00-10",) "Accounting for Shipping and Handling Fees and Costs," amounts billed to our customers in sale transactions for shipping and handling is recorded as revenue. All other related shipping and handling costs are included in costs of goods sold with the exception of $1.2 million for both the three months ended December 28, 2002 and December 29, 2001 and $3.9 million and $3.3 million for the nine months ending December 28, 2002 and December 29, 2001, respectively, that are included in selling, general and administrative expenses.

3. FOREIGN CURRENCY

We enter into forward exchange contracts to hedge the anticipated cash flows from forecasted foreign currency denominated revenues. The purpose of our foreign hedging activities is to minimize, for a 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.

At December 28, 2002, we had 28 forward contracts outstanding, all maturing in less than twelve months, to exchange Euro and Japanese yen primarily for U.S. dollars totaling $117.3 million. Of these contracts, six, totaling $33.4 million, represented contracts with zero fair value relating to inter-company receivables established at quarter end, that settle within 35 days after quarter end. We have designated the remainder of these contracts as cash flow hedges intended to lock in the expected cash flows of forecasted foreign currency denominated revenues at the available spot rate. The fair value of the forward contracts associated with changes in points on forward contracts is excluded from our assessment of hedge effectiveness.

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

At December 28, 2002, the fair value of the forward contract liability was $4.1 million. For the nine months ended December 28, 2002, a $5.8 million loss related to changes in the spot rates for the hedge contracts was recorded in accumulated other comprehensive loss, ($9.2 million loss less tax benefit of $3.4 million.) The change in the fair value attributable to points on forward contracts totaled approximately $0.9 million for the nine months ended December 28, 2002. This $0.9 million of income was excluded from the assessment of hedge effectiveness and was recorded as part of other income, net for the nine months ended December 28, 2002 in our unaudited consolidated statement of income. For the nine months ended December 29, 2001, income from points on forward contracts, included in other income, net was $2.3 million.

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

(Income)/ Expense Cash Flow Hedges Debit (Credit)	Asset (Liability) Forward Contracts	Accumulated Comprehensive (Income) Loss, net of tax	Other Income, Net
Balance as of March 30, 2002	$ 3,983	$(2,287)	
Change in fair value for the nine months ended December 28, 2002	$(8,116)	5,757	$(936)
Total	$(4,133)	$ 3,470	$(936)

4. 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 and with our adoption of SFAS No. 133, as amended, the changes in fair value of the effective portion of our outstanding cash flow hedge contracts.

(In thousands)	Three Months Ended December 28, 2002	Three Months Ended December 29, 2001	Nine Months Ended December 28, 2002	Nine Months Ended December 29, 2001
Net income	$ 10,347	$ 2,432	$ 23,902	22,324
Other comprehensive income:				
Foreign currency translation	1,915	(2,141)	6,702	(821)
Unrealized gain (loss) on cash flow hedges, net of tax	(1,673)	4,315	(6,602)	6,904
Reclassifications into earnings of cash flow hedge (gains) and losses, net of tax	511	(944)	845	(3,736)
Comprehensive income	$ 11,100	$ 3,662	$ 24,847	$ 24,671

5. NEW PRONOUNCEMENTS

In December 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock Based Compensation - Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock Based Compensation." SFAS No. 148 provides alternative methods of transition to the fair value method of accounting proposed in SFAS No. 123 for stock based employee compensation, and also amends the disclosure provision of SFAS No. 123 to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock based employee compensation on reported net income and earnings per share in annual and interim financial statements. The disclosure provision is required for all companies with stock based employee compensation, regardless of whether the company utilizes the fair method of accounting described in SFAS No. 123 or the intrinsic value method described in APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 148's amendment of the transition and annual disclosure provisions of SFAS No. 123 are effective for fiscal years ending after December 15, 2002. The disclosure requirements for interim financial statements containing condensed consolidated financial statements are effective for interim periods beginning after December 15, 2002. We currently use the intrinsic value method of accounting for stock based employee compensation described by APB Opinion No. 25. We will implement all disclosure provisions outlined in SFAS No. 148 within the required timeframes.

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (the Interpretation) which expands on the accounting guidance of Statements No. 5, 57 and 107 and incorporates without change the provisions of FASB Interpretation No.34, which is being superseded. The Interpretation will significantly change current practice in the accounting for and disclosure of guarantees. Guarantees meeting the characteristics described in the Interpretation are to be recognized at fair value and significant disclosure rules have been implemented even if the likelihood of the guarantor making payments is remote. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002, while the initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Certain guarantees are

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

excluded from the initial recognition provisions of the Interpretation, however specific disclosures are still required. The following required disclosure describes our current accounting method and policy used to determine our liability for product warranties. The table provides the detail of the change in our product warranty accrual, which is a component of other accrued liabilities on the unaudited consolidated balance sheet for the reporting period ending December 28, 2002.

We provide a warranty on parts and labor for one year after the sale and installation of one of our devices. 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.

	Total
Warranty accrual as of March 30, 2002	$ 800
Provision related to preexisting warranties	375
Warranty Provision	815
Warranty Spending	(707)
Warranty accrual as of December 28, 2002	$1,283

In June 2002, the FASB issued Statement of Financial Accounting Standard No. 146 ("SFAS 146"), "Accounting for Costs Associated With Exit or Disposal Activities". SFAS 146 nullifies Emerging Issues Task Force Issue No. 94-3 ("EITF 94-3"), "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)". SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Therefore, SFAS 146 eliminates the definition and requirements for recognition of exit costs in EITF 94-3. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. We will adopt the provisions of SFAS 146 for all exit activities, if any, initiated after December 31, 2002.

In May 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 145 ("SFAS 145"), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". Among other things, SFAS 145 rescinds Statement of Financial Accounting Standards No. 4 ("SFAS 4"), "Reporting Gains and Losses from Extinguishment of Debt" and eliminates the requirement that gains and losses from the extinguishment of debt be classified as an extraordinary item, net of related income tax effects, unless the criteria in Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" are met. Adoption of this statement is generally required in fiscal years beginning after May 15, 2002. We do not expect the adoption of this statement to have a material impact on its consolidated financial statements.

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

6. ACQUIRED OTHER INTANGIBLE ASSETS

As of December 28, 2002

	Gross Carrying Amount (in thousands)	Accumulated Amortization (in thousands)	Weighted Average Useful Life (in years)
Amortized Intangibles			
Patents	$ 6,371	$1,001	14
Developed technology	7,993	1,140	17
Customer contracts and related relationships	11,396	1,161	15
Subtotal	$25,760	$3,302	15
Indefinite Life Intangibles			
Trade name	472		Indefinite
Total Intangibles	$26,232	$3,302	

As of March 30, 2002

	Gross Carrying Amount (in thousands)	Accumulated Amortization (in thousands)	Weighted Average Useful Life (in years)
Amortized Intangibles			
Patents	$ 6,370	$ 647	14
Developed technology	7,991	741	17
Customer contracts and related relationships	11,350	589	15
Subtotal	$25,711	$1,977	15
Indefinite Life Intangibles			
Trade name	470	--	Indefinite
Total Intangibles	$26,181	$1,977	

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

The only change to the net carrying value of our intangible assets from March 30, 2002 to December 28, 2002 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 for the nine months ended December 28, 2002 and for the twelve months ended March 30, 2002 is $1.3 million and $1.4 million, respectively. Additionally, the anticipated annual amortization expense on other intangible assets approximates $1.8 million for fiscal years 2003 through 2007 and $1.7 million for fiscal year 2008.

7. GOODWILL

During the nine months ended December 28, 2002, no event or circumstance change occurred to impair our goodwill or indefinite life assets. The change in the carrying value of goodwill during the nine months ended December 28, 2002 is attributable solely to the effects of rate changes in the translation of the goodwill contained in the financial statements of foreign subsidiaries.

The changes in the carrying amount of our goodwill during the nine months ended December 28, 2002 are as follows (in thousands):

Carrying amount as of March 30, 2002	$14,168
Effect of change in rates used for translation	745
Carrying amount as of December 28, 2002	$14,913

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:

	December 28, 2002	March 30, 2002
	(in thousands)	
Raw materials	$19,034	$16,808
Work in process	3,680	4,700
Finished goods	47,424	45,736
	$70,138	$67,244

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

9. NET INCOME PER SHARE

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

	For the three months ended	
	December 28, 2002	December 29, 2001
Basic EPS		
Net income	$ 10,347	$ 2,432
Weighted average shares	24,295	26,445
Basic income per share	$ 0.43	$ 0.09
Diluted EPS		
Net income	$ 10,347	$ 2,432
Basic weighted average shares	24,295	26,445
Effect of stock options	278	1,080
Diluted weighted average shares	24,573	27,525
Diluted income per share	$ 0.42	$ 0.09

	For the nine months ended	
	December 28, 2002	December 29, 2001
Basic EPS		
Net income	$ 23,902	$22,324
Weighted average shares	24,752	26,237
Basic income per share	$ 0.97	$ 0.85
Diluted EPS		
Net income	$ 23,902	$22,324
Basic weighted average shares	24,752	26,237
Effect of stock options	528	1,003
Diluted weighted average shares	25,280	27,240
Diluted income per share	$ 0.95	$ 0.82

10. 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.

Through our acquisition of Fifth Dimension Information Systems, Inc. (Fifth Dimension), as well as our agreement with Baxter Healthcare Corporation (Baxter) related to pathogen reduction technology, we are contingently obligated to make certain payments. The Fifth Dimension acquisition involves certain earn-out payments of up to $4.1 million based upon Fifth Dimension reaching certain performance milestones prior to fiscal 2008. The Baxter agreement calls for us to make milestone payments over the next several years of up to $14.5 million as regulatory approvals are received in various markets. In the fourth calendar quarter of 2002, Baxter acquired its initial regulatory approval in the European market. In connection with this approval, we anticipate making an initial $3.8 million milestone payment to Baxter during the fourth quarter of fiscal 2003. We expect that the remaining European approvals will be obtained during our fiscal 2004 and we anticipate making an additional milestone payment of $3.8 million to Baxter at that time. These payments will be recorded as developed technology, an intangible asset, and amortized over their useful lives.

11. 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

Our principal product offerings include blood bank, red cell, surgical and plasma collection products.

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

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

Surgical products include machines, and single use disposables that perform surgical blood salvage in 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.

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

Other 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, acquired on January 1, 2002. Fifth Dimension provides software applications that automate plasma collection center operations.

Three months ended (in thousands)

December 28, 2002	Blood Bank	Red Cells	Surgical	Plasma	Other	Total
Revenues from external customers	$28,401	3,971	18,112	31,239	5,392	87,115
December 29, 2001						
Revenues from external customers	$30,395	2,716	18,719	29,793	2,788	84,411

Nine months ended (in thousands)

December 28, 2002	Blood Bank	Red Cells	Surgical	Plasma	Other	Total
Revenues from external customers	$84,098	11,351	54,410	92,240	13,976	256,075
December 29, 2001						
Revenues from external customers	$85,708	7,719	53,621	86,440	7,428	240,916

12. ACQUISITIONS

In the third quarter of fiscal 2002, we paid Baxter $10.0 million to acquire the right to integrate a new pathogen reduction technology into our platelet collection devices after the technology receives regulatory approvals (see note 10). The $10.0 million was expensed in our consolidated statement of operations as acquired research and development.

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

We are a leader in the manufacture of automated systems and single use disposables for the collection, processing, and surgical salvage of blood, as well as associated consumables and data management technology.

RESULTS OF OPERATIONS

The following table compares our results of operations for Q3 of fiscal 2003 against Q3 of fiscal 2002:

	Three Months Ended (expressed as a percentage of net sales)		Three Months Ended Percentage Increase/ (Decrease)
	December 28, 2002	December 29, 2001	2002/2001
Net revenues	100.0%	100.0%	3.2%
Cost of goods sold	53.0	51.1	6.9
Gross Profit	47.0	48.9	(0.7)
Operating Expenses:			
Research and Development	5.3	6.1	(10.0)
Selling, general and administrative	28.1	27.6	5.2
Acquired research and development		11.9	(100.0)
Total operating Expenses	33.4	45.6	(24.2)
Operating income	13.6	3.3	>100.0
Interest expense	(0.9)	(1.1)	(12.5)
Interest income	0.4	1.2	(67.6)
Other income, net	0.6	0.6	18.6
Income before provision for income taxes	13.7	4.0	>100.0
Provision for income Taxes	1.8	1.1	65.9
Net income	11.9%	2.9%	>100.0%

Third quarter of fiscal 2003 compared to third quarter of fiscal 2002

Net Revenue Summary

By geography:	2002	2001	Percent Increase/(Decrease) Actual dollars as reported	Percent Increase/(Decrease) At constant currency
United States	$32,132	$32,261	(0.4)%	(0.4)%
International	54,983	52,150	5.4	6.8
Net revenues	$87,115	$84,411	3.2%	4.0%

By product type:	2002	2001	Percent Increase/(Decrease) Actual dollars as reported	Percent Increase/(Decrease) At constant currency*
Disposables	$77,004	$76,584	0.5%	1.7%
Misc. & service	5,392	2,788	93.4	92.9
Equipment	4,719	5,039	(6.4)	(10.6)
Net revenues	$87,115	$84,411	3.2%	4.0%

Disposable revenue by product line:	2002	2001	Actual dollars as reported	At constant currency*
Surgical	$17,067	$17,139	(0.4)%	(1.1)%
Blood bank	26,417	27,817	(5.0)	(2.5)
Red cells	3,891	2,612	49.0	45.7
Plasma	29,629	29,016	2.1	3.1
Disposable revenues	$77,004	$76,584	0.5%	1.7%

* Constant currency comparisons reflect our current year and prior year results retranslated at the same exchange rate. We establish these exchange rates at the beginning of each fiscal year.

Net Revenues

Net revenues in fiscal 2003 increased $2.7 million from $84.4 million in fiscal 2002. At constant currency rates, net revenues increased 4.0% or $3.2 million as a result of volume increases from both disposable and software sales. The increase in sales was reduced by spot rate losses realized on forward contracts recorded in sales as compared to gains realized for the same period in the prior year.

Disposable Sales

Disposable sales increased 0.5% or $0.4 million year over year at actual rates. At constant currency rates, disposable sales increased 1.7% or $1.2 million.

By product line, disposable sales at constant currency rates increased in worldwide Red Cell (up 45.7%), and worldwide Plasma sales (up 3.1%) offset by decreases in worldwide Bloodbank (down 2.5%) and worldwide Surgical (down 1.1%).

* Red Cell - Worldwide Red Cell sales grew due to volume increases in the U.S. as customers (new and existing) reacted to red cell shortages by introducing automation into their collection operations as a means to increase the number of units of blood collected from a declining number of eligible donors. The decline in the red cell supply in the U.S. relates primarily to blood shortages ad recently adopted donor deferral regulations mandated by the U.S. Food and Drug Administration.

* Plasma -The growth in worldwide Plasma disposables sales is attributed to volume increases of products sold in Japan, Asia and Europe. In the U.S., our plasma disposable sales decreased 3.0% due to declining sales to one customer as a result of industry consolidation. Additionally, Baxter International (Baxter) recently announced it would acquire, subject to regulatory approval, the plasma collection operations of Alpha Therapeutic Corporation (Alpha) during the first half of calendar 2003. During the first nine months of our fiscal 2003, sales of plasma disposables, including bowls, collection bottles and solutions, to Alpha were approximately $15.0 million. Alpha's collection operations have several exclusive purchasing contracts with us which begin to lapse in January 2005 through 2009. Due to uncertainties about Baxter's plans for the collection centers, we are unable to estimate the impact upon future operating results.

* Bloodbank -Worldwide Bloodbank disposable sales decreased as compared to 2002 due primarily to volume decreases of our Automated Cell Processing ("ACP") 215 system. Prior year sales related to our ACP 215 disposables were high due to the demand resulting from the events of September 11, 2001. Volume decreases also

~~existed in both the U.S. and European platelet markets because the newest platelet collection technologies use a single disposable to collect multiple platelet units versus a single platelet unit thereby reducing the number of disposables needed. The effects of these decreases were reduced by strong volume growth in our Asia platelet business.~~

* ~~Surgical Worldwide Surgical disposable sales declined as a result of volume decreases as our primary growth contributor, the OrthoPAT(R), showed no growth. We have slowed down the manufacture and sale of OrthoPAT(R) products to our distributor as we implement the quality enhancement program reported in the previous quarter. End customer sales of our OrthoPAT(R) product are growing and we anticipate that our sales to our distributor will reflect strong growth in the first half of next fiscal year.~~

~~Miscellaneous and Service Sales~~

~~Miscellaneous and service sales includes revenues generated from equipment repairs performed under preventive maintenance contracts or emergency service billings and revenue from our software division, Fifth Dimension, acquired on January 1, 2002.~~

~~Miscellaneous and service sales increased 93.4% or $2.6 million year over year at actual rates. At constant currency rates, miscellaneous and service sales increased 92.9% or $2.6 million as a result of $1.7 million of volume increases from Fifth Dimension software products.~~

~~Equipment Sales~~

~~Equipment sales decreased 6.4% or $0.3 million year over year at actual rates. At constant currency rates, equipment sales decreased 10.6% or $0.5 million due to volume. The volume decrease was primarily because of prior year sales of our Automated Cell Processing ("ACP") 215 system due to demand resulting from the events of September 11, 2001 offset by volume increases in Europe, particularly in plasma. Most of our equipment sales occur in markets outside the U.S. In the U.S. we generally place equipment with a customer in exchange for an agreement to purchase disposables or to pay a rental fee. Due to the variable nature of equipment sales, we give no assurance as to whether or not this level of equipment sales will continue in the foreseeable future.~~

~~International sales at actual rates accounted for 63.1% and 61.8% of net sales for fiscal 2003 and 2002, respectively. As in the U.S., sales outside the U.S. are susceptible to risks and uncertainties from regulatory changes, our ability to forecast product demand and market acceptance of our products, changes in economic conditions, the impact of competitive products and pricing and changes in health care policy.~~

~~Gross profit~~

~~Gross profit of $40.9 for fiscal 2003 decreased $0.3 million from $41.2 million for fiscal 2002. As a percentage of sales, gross profit decreased 1.9% in fiscal 2003 to 47.0%. With currency rates held constant, gross profit increased by $2.3 million and increased as a percentage of sales by 0.9%. The $2.3 million increase in constant currency gross profit from fiscal 2002 was a result of the additional contribution from the increase in constant currency sales and cost reductions generated from our Customer Oriented Redesign for Excellence ("CORE") Program. During the third quarter of fiscal 2003, the CORE program generated $0.9 million of cost reductions, which benefited gross profit. These cost reductions relate to initiatives to lower product costs by automating and redesigning the way certain products are made and by negotiating reduced raw material prices from suppliers.~~

~~Expenses~~

* ~~Research and development~~

~~We expended $4.6 million, 5.3% of net sales, on research and development for fiscal 2003 and $5.2 million, 6.1% of net sales, for fiscal 2002. At constant currency rates, research and development as a percentage of sales decreased 1.0% or $0.6 million from fiscal 2002 to fiscal 2003.~~

* ~~Selling, general and administrative~~

~~Selling, general and administrative expenses increased $1.2 million in fiscal 2003 from $23.3 million in fiscal 2002. At constant currency rates, selling, general and administrative expenses increased $0.7 million, but decreased as a percentage of sales by 0.3% to 28.0% due to our higher sales.~~

* ~~Acquired research and development~~

~~In the third quarter of fiscal 2002, we paid Baxter International $10.0 million for the right to integrate its new pathogen reduction technology into our platelet collection devices after the technology receives regulatory approval.~~

~~Operating Income~~

~~Operating income for the third quarter of fiscal 2003 increased $9.0 million from the third quarter of fiscal 2002 and increased to 13.6% of sales in fiscal 2003 from 3.3% in fiscal 2002. Without the $10.0 million paid to Baxter in fiscal 2002, and at constant currency rates, operating income increased by $2.2 million or 2.2% as a percentage of sales. The $2.2 constant currency increase is due to the growth in constant currency sales and cost savings from our CORE program.~~

~~Other Income, Net~~

~~Interest expense for fiscal 2003 was relatively flat as compared to fiscal 2002. All of our long term debt is at fixed rates. Interest income decreased $0.7 million from 2002 to 2003 due primarily to lower average balances of cash invested and lower investment yields. Other income was relatively flat from fiscal 2002 to fiscal 2003 due to decreases in income earned from points on forward contracts partly offset by an increase in foreign exchange transaction gains. Points on forward contracts are amounts, either expensed or earned, based on the interest rate differential between two foreign currencies in a forward hedge contract.~~

~~Taxes~~

~~The income tax provision as a percentage of pretax income was 13.1% for the third quarter of fiscal 2003 and 28.0% for the third quarter of fiscal 2002. The decrease in the fiscal 2003 effective tax rate and tax expense results from an anticipated income tax refund. We estimate the Q4 effective tax rate to be 36.0%, which is also the anticipated fiscal year 2004 effective tax rate.~~

~~Results of Operations~~

~~The following table contains compares our results of operations for the first nine months of fiscal 2003 against the first nine months of fiscal 2002:~~

	Nine Months Ended (expressed as a percentage of net sales) December 28, 2002	December 29, 2001	Nine Months Ended Percentage Increase/(Decrease) 2002/2001
Net revenues	100.0%	100.0%	6.3%
Cost of goods sold	53.7	51.3	11.4
Gross Profit	46.3	48.7	1.0
Operating Expenses:			
Research and development	5.7	6.2	(1.8)
Selling, general and Administrative	28.3	27.9	8.0
Acquired research and development		4.2	(100.0)
Total operating expenses	34.0	38.3	(5.3)
Operating income	12.3	10.4	23.9
Interest expense	(1.0)	(1.2)	(11.5)
Interest income	0.4	1.3	(65.1)
Other income, net	0.6	1.0	(25.3)
Income before provision for income taxes	12.3	11.5	13.5
Provision for income Taxes	3.0	3.2	(1.6)
Income before cumulative effect of change in accounting principle, net of tax	9.3	8.3	19.4
Cumulative effect of change in accounting principle, net of tax		1.0	(100.0)
Net income	9.3%	9.3%	7.1%

Nine months of fiscal 2003 compared to the nine months of fiscal 2002

Net Revenue Summary

			Percent Increase/(Decrease)	
By geography:	2002	2001	Actual dollars as reported	At constant currency*
United States	$ 96,700	$ 91,044	6.2%	6.2%
International	159,375	149,872	6.3	8.8
Net revenues	$256,075	$240,916	6.3%	7.8%

			Percent Increase/(Decrease)	
By product type:	2002	2001	Actual dollars as reported	At constant currency*
Disposables	$225,588	$221,531	1.8%	3.5%
Misc.& service	13,976	7,421	88.3	88.0
Equipment	16,511	11,964	38.0	33.6
Net revenues	$256,075	$240,916	6.3%	7.8%

Disposable revenue by product line:	2002	2001	Actual dollars as reported	At constant currency*
Surgical	$ 50,956	$ 50,062	1.8%	1.8%
Blood bank	75,374	79,254	(4.9)	(1.7)
Red cells	10,880	7,584	43.5	40.8
Plasma	88,378	84,631	4.4	5.8
Disposable revenues	$225,588	$221,531	1.8%	3.5%

* Constant currency comparisons reflect our current year and prior year results retranslated at the same exchange rate. We establish these exchange rates at the beginning of each fiscal year.

Net Revenues

Net revenues in fiscal 2003 increased $15.2 million from $240.9 million in fiscal 2002. At constant currency rates, net revenues increased 7.8% or $18.0 million as a result of volume increases from both disposable and software sales. The increase in sales was reduced by spot rate losses realized on forward contracts recorded in sales as compared to gains realized for the same period in the prior year.

Disposable Sales

Disposable sales increased 1.8%or $4.1 million year over year at actual rates. At constant currency rates, disposable sales increased 3.5% or $7.5 million.

By product line, disposable sales at constant currency rates increased in worldwide Red Cell (up 40.8%), worldwide Plasma sales (up 5.8%) and worldwide Surgical (up 1.8%) partially offset by a decrease in worldwide Bloodbank (down 1.7%).

* Red Cell Worldwide Red Cell sales grew due to volume increases in the U.S. as customers (new and existing) reacted to red cells shortages by introducing automation into their collection operations as a means to increase the number of units of blood collected from a declining number of eligible donors. The decline in the red cell supply in the U.S. related primarily to blood shortages and recently adopted donor deferral regulations mandated by the U.S. Food and Drug Administration.

* Plasma The growth in worldwide Plasma disposables sales is attributed to volume increases of products sold in Japan, Asia and Europe. In the U.S., our plasma disposable sales decreased 3.4% due to declining sales to one customer as a result of industry consolidation. Additionally, Baxter recently announced it would acquire, subject to regulatory approval, the plasma collection operations of Alpha during the first half of calendar 2003. During the first nine months of our fiscal 2003, sales of plasma disposables, including bowls, collection bottles and solutions, to Alpha were approximately $15.0 million. Alpha's collection operations have several exclusive purchasing contracts with us which begin to lapse in January 2005 through 2009. Due to uncertainties about Baxter's plans for the collection centers, we are unable to estimate the impact upon future operating results.

* Surgical Worldwide Surgical disposable sales showed low growth as a result of a slow down in sales of our primary growth contributor, the OrthoPAT(R). We have slowed down the manufacture and sale of OrthoPAT(R) products to our distributor as we implement the quality enhancement program reported in the previous quarter. End customer sales of our OrthoPAT(R) product are growing and we anticipate that our sales to our distributor will reflect strong growth in the first half of next fiscal year.

* Bloodbank Worldwide Bloodbank disposable sales decreased as compared to 2002, due to volume decreases primarily related to our Automated Cell Processing ("ACP") 215 system. Prior year sales related to our ACP 215 disposables were high due to the demand resulting from the events of September 11, 2001. We experienced volume decreases in both the U.S. and European platelet markets because the newest platelet collection technologies use a single disposable to collect multiple platelet units versus a single platelet unit reducing the number of disposables needed. The effects of these decreases were reduced by strong volume growth in our Asia platelet business.

~~Miscellaneous and Service Sales~~

~~Miscellaneous and service sales includes revenues generated from equipment repairs performed under preventive maintenance contracts or emergency service billings and revenue from our software division, Fifth Dimension, acquired on January 1, 2002.~~

~~Miscellaneous and service sales increased 88.3%or $6.6 million year over year at actual rates. At constant currency rates, miscellaneous and service sales increased 88.0% or $6.5 million primarily as a result of $3.9 million of volume increases from Fifth Dimension software products.~~

~~Equipment Sales~~

~~Equipment sales increased 38.0% from $12.0 million in fiscal 2002 at actual rates and increased 33.6% year over year with currency rates held constant. The 33.6% constant currency increase is primarily attributable to sales of plasma and platelet machines in Japan and sales of plasma machines in Europe. Most of our equipment sales occur in markets outside the U.S., as in the U.S. we generally place equipment with a customer, in exchange for an agreement to purchase disposables or to pay a rental fee. Due to the variable nature of equipment sales, we give no assurance as to whether or not this level of equipment sales will continue in the foreseeable future.~~

~~At actual rates, international sales as reported accounted for 62.2% of net sales for both fiscal 2003 and 2002. As in the U.S., sales outside the U.S. are susceptible to risks and uncertainties from regulatory changes, our ability to forecast product demand and market acceptance of our products, changes in economic conditions, the impact of competitive products and pricing and changes in health care policy.~~

~~Gross profit~~

~~Gross profit of $118.5 million for fiscal 2003 increased $1.1 million from $117.4 million for fiscal 2002. As a percentage of sales, gross profit decreased 2.4% in fiscal 2003 to 46.3%. With currency rates held constant, gross profit increased by 8.4%, or $9.0 million and increased as a percentage of sales by 0.3%. The $9.0 million increase in constant currency gross profit from fiscal 2002 was a result of the additional contribution from the increase in constant currency sales and cost reductions generated by the CORE program, partially offset by a manufacturing provision for quality enhancements to our OrthoPAT(R) surgical blood salvage system.~~

~~For the nine months ending December 28, 2002, the CORE program generated $2.4 million of cost savings benefiting our gross profit from initiatives to lower product costs by automating and redesigning the way certain products are made and by negotiating reduced raw material prices from suppliers.~~

~~Expenses~~

~~* Research and Development~~

~~We expended $14.7 million, 5.7% of net sales, on research and development for fiscal 2003 and $14.9 million, and 6.2% of net revenues, for fiscal 2002. At constant currency rates, research and development as a percentage of revenues decreased 0.6% or $0.5 million from fiscal 2002 to fiscal 2003.~~

~~* Selling, general and administrative~~

~~Selling, general and administrative expenses increased $5.4 million in fiscal 2003 to $72.5 million from $67.1 million in fiscal 2002. At constant currency rates, selling, general and administrative expenses increased $4.0 million, however, decreased as a percent of net revenues by 0.5% due to our higher sales. Increased spending associated with the higher volume of sales contributed to the dollar increase in selling, general and administrative dollars.~~

~~* Acquired research and development~~

~~In the third quarter of fiscal 2002, we paid Baxter $10.0 million for the right to integrate their new pathogen reduction technology into our platelet collection devices after the technology receives regulatory approval.~~

~~Operating Income~~

~~Operating income as a percentage of net revenues increased to 12.2% from 10.5% in fiscal 2002. Without the $10.0 million paid to Baxter in fiscal 2002, and at constant currency rates, operating income increased by $5.7 million and increased as a percentage of sales by 5.7%. The $5.7 million increase is due to the additional gross profit from the growth in constant currency sales and cost savings from our CORE program offset by increases in selling, general and administrative expenses.~~

~~Foreign Exchange~~

~~We generate approximately 62% of our sales outside the U.S. As such, we use a combination of business and financial tools comprising various natural hedges (offsetting exposures from local production costs and operating expenses) and forward contracts to hedge our balance sheet and income statement exposures. 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 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 corresponds to the value of sales in those currencies. The composite was set at 1.00 based upon the weighted rates at March 31, 1997. 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 in the Company's financial statements. The final impact of currency fluctuations on the results of operations is dependent on the local currency amounts hedged and the actual local currency results.

		Composite Index Hedge Spot Rates	Favorable/(Unfavorable) Change 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%

~~Other Income, Net~~

~~Interest expense for fiscal 2003 was relatively flat as compared to fiscal 2002. Nearly all of our long term debt is at fixed rates. Interest income decreased $2.1 million from 2002 to 2003, due primarily to lower average balances of cash invested and lower investment yields. Other income, net decreased $0.6 million from fiscal 2002 to fiscal 2003 due to decreases in income earned from points on forward contracts, which was partially offset by an increase in foreign exchange transaction gains. Points on forward contracts are amounts, either expensed or earned, based on the interest rate differential between two foreign currencies in a forward hedge contract.~~

~~Taxes~~

~~The income tax provision as a percentage of pretax income was 24.3% for the nine months ending December 28, 2002 and 28.0% for the nine months ending December 29, 2001. The decrease in the fiscal 2003 effective tax rate and tax expense results from an anticipated income tax refund. We estimate the Q4 effective tax rate to be 36.0%, which is also the anticipated fiscal year 2004 effective tax rate.~~

~~Cumulative Effect of Accounting Change, Net of Tax~~

~~In accordance with Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138 "Accounting for Certain Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133," (collectively, SFAS No. 133, as amended) effective April 1, 2001, the beginning of the Company's 2002 fiscal year. As required, these standards were adopted as a change in accounting principle and accordingly, the effect at adoption of $3.2 million was shown net of taxes of $0.9 million as a cumulative effect of a change in accounting principle on the face of the consolidated statements of operations in the three months ended June 30, 2001.~~

~~LIQUIDITY AND CAPITAL RESOURCES~~

~~Our primary sources of capital include cash and short term investments, internally generated cash flows and bank borrowings. We believe these sources to be sufficient to fund our requirements, which are primarily capital expenditures, acquisitions, new business development, share repurchase and working capital.~~

~~During the nine months ending December 28, 2002, we funded our activities primarily with $29.3 million of cash flows generated by operations, $44.3 million of gross proceeds from the sale of available-for-sale securities and $3.2 million in stock option proceeds.~~

~~Working capital at December 28, 2002, was $128.3 million. This reflects a decrease of $44.3 million in working capital from the same period in the prior year largely due to decreases in available-for-sale investments and increases in short-term borrowings, offset by increases in inventories and accounts receivable.~~

~~The acquisition of Fifth Dimension, which occurred on January 1, 2002, involves potential earn out payments of up to $4.1 million based on Fifth Dimension reaching certain performance milestones prior to fiscal 2008. These payments, if earned, will be allocated to goodwill.~~

~~The acquisition of the right to integrate a new pathogen reduction technology into our platelet collection devices includes certain incremental milestone payments based on the receipt of regulatory approvals in the U.S., Europe and Japan. The total amount of these potential milestone payments is $14.5 million. In the fourth calendar quarter of 2002, Baxter acquired its initial regulatory approval in the European market. In connection with this approval, we anticipate making an initial $3.8 million milestone payment to Baxter during the fourth quarter of fiscal 2003. We expect that the remaining European approvals will be obtained during our fiscal 2004 and we anticipate making an additional milestone payment of $3.8 million to Baxter at that time. These payments will be recorded as developed technology, an intangible asset, and amortized over their useful lives.~~

~~We anticipate spending $2.8 million on the purchase of OrthoPAT(R) machines through the end of fiscal 2004 under an existing purchase order with Nova Biomedical.~~

~~Cash and short term investments during the nine months ending December 28, 2002, before the effect of exchange rates increased $14.0 million, which represents an increase in cash flow of $2.6 million compared to the $11.4 million in cash generated during the nine months ending December 29, 2001. The $2.6 million increase was primarily a result of the cash generated in fiscal 2003 from the available for sale investments and from our operating activities. These increases were largely offset by the increase in fiscal 2003 treasury stock repurchases and less cash received in fiscal 2003 from stock option exercises.~~

~~Operating Activities:~~

~~We generated $13.1 million more cash from operating activities in fiscal 2003 as compared to fiscal 2002. The increase in operating cash is from a $3.5 million increase in our net income adjusted for depreciation, amortization and other non cash items, a $6.1 million decrease in inventory growth, a $4.4 million decrease in other assets due to lower acquisition activity and an $8.0 million increase in accrued taxes, included in accrued expenses, due to fewer fiscal 2003 payments made. These increases in cash flow were offset by an anticipated tax refund not yet~~

received and $4.5 million more cash spent to fund accounts receivable growth. Accounts receivables grew because of sales growth and because days sales outstanding increased year over year. The increase in days sales outstanding year over year is due largely to the timing of payments.

Internally we utilize a measure called operational cash flow to measure the amount of cash flow generated after we have satisfied our investment in Haemonetics equipment and our working capital needs, but before the effect of foreign exchange and other changes such as acquisitions. This operational cash flow measure indicates our ability to generate cash from operations because it does not include foreign exchange, which is not an indicator of such ability.

This table reconciles cash flow provided by operations per our Statement of Cash Flows prepared in accordance with generally accepted accounting principles to our operational cash flow (in thousands):

Operational cash flow metric:	For the nine months ended: December 28, 2002	December 29, 2001
Cash Flow provided by operations	$29,325	$ 16,195
Investment in Haemonetics Equipment including long term sales type leases	(9,325)	(13,982)
Subtotal	$20,000	$ 2,213
Deduct:		
Income tax changes	8,080	(1,091)
Foreign exchange changes:	(1,599)	(804)
Other changes:		
Other assets	395	(3,974)
Accrued expenses	(283)	(2,519)
Cash paid for pathogen reduction technology		(7,200)
Other	–	(471)
Operational cash flow:	$13,407	$ 18,272

~~Investing Activities:~~

~~Our investing activities provided $50.8 million more cash in fiscal 2003 than in fiscal 2002. This is primarily due to the liquidation of our available for sale investments due to changes in the interest rate environment and from a reduction in our capital expenditures.~~

~~Financing Activities:~~

~~Our financing activities provided $61.2 million less cash in fiscal 2003 than in fiscal 2002. This decrease is primarily a result of the $44.5 million we spent in fiscal 2003 to repurchase our stock, smaller increases in short term debt and $12.0 million less from stock option exercises.~~

~~As authorized by the Board of Directors (the "Board"), we repurchase our stock to optimize our capital structure depending upon certain factors such as cash flow and debt compliance considerations. During the first quarter of fiscal 2003, we used $26.0 million to repurchase 868,200 shares of common stock at an average price of $29.98. This completed the 1,764,000 repurchase authorization approved by the Board in February 2002. In July, the Board authorized a share repurchase program for up to an additional $50.0 million. During the second and third quarters of fiscal 2003, under this new repurchase program, we repurchased 739,450 shares at an average price of $25.63 using $19.0 million of cash, including 185,100 shares repurchased under a 10b5-1 Plan. We keep repurchased shares on hand for our employee benefit and incentive plans and for other corporate purposes.~~

~~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 efficiency, by increasing employee productivity and by adjusting the selling prices of new products we introduce.~~

~~Cautionary Statement Regarding Forward-Looking Information~~

~~Statements contained in this report, as well as oral statements made by the Company that are prefaced with the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," "designed" and similar expressions, are intended to identify forward-looking statements regarding events, conditions and financial trends that may affect the Company's future plans of operations, business strategy, results of operations and financial position. These statements are based on the Company's current expectations and estimates as to prospective events and circumstances about which the Company can give no firm assurance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Company~~

~~undertakes no obligation to update any forward looking statement to reflect events or circumstances after the date on which such statement is made. As it is not possible to predict every new factor that may emerge, forward-looking statements should not be relied upon as a prediction of actual future financial condition or results. These forward looking statements, like any forward looking statements, involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include technological advances in the medical field and the Company's ability to successfully implement products that incorporate such advances, product demand and market acceptance of the Company's products, industry consolidation, 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 and the effect of uncertainties in markets outside the U.S. (including Europe and Asia) in which the Company operates. 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~~

~~Approximately 62% of our sales are generated outside the U.S., 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. Accordingly, 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. 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 offsetting gains and losses on the underlying transactions being hedged are recorded. The fair value of these contracts associated with the change in forward points is recorded in other income. We also enter into forward contracts that settle within 35 days to hedge certain intercompany receivables denominated in foreign currencies. These derivative financial instruments are not used for trading purposes. Our primary foreign currency exposures in relation to the U.S. dollar are the Japanese Yen and the Euro.~~

At December 28, 2002, 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	8,450,000	$0.880	$0.870	$(1,278,689)	Jan-Mar 2003
Euro	8,450,000	$0.924	$0.913	(872,123)	Apr-Jun 2003
Euro	8,400,000	$0.980	$0.966	(398,677)	Jul-Sep 2003
Euro	6,300,000	$0.985	$0.971	(256,920)	Oct-Nov 2003
Japanese Yen	1,850,000,000	131.8 per US$	128.8 per US$	(1,001,130)	Jan-Mar 2003
Japanese Yen	1,800,000,000	125.5 per US$	122.7 per US$	(321,953)	Apr-Jun 2003
Japanese Yen	1,775,000,000	120.7 per US$	118.6 per US$	121,412	Jul-Sep 2003
Japanese Yen	1,275,000,000	122.7 per US$	120.7 per US$	(124,960)	Oct-Nov 2003
			Total:	$(4,133,040)	

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 $10.4 million increase in the fair value of the forward contracts; whereas a 10% weakening of the U.S. dollar would result in a $11.9 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 rates movements due to its fixed rate nature. At December 28, 2002, the fair value of our long-term debt was approximately $3.8 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 $8.9 million, 8.41% fixed rate mortgage.

Using scenario analysis, we changed the interest rate on all long term maturities by 10% from the rate levels that existed at December 28, 2002. The effect was a change in the fair value of our long term debt, of approximately $0.5 million.

ITEM 4. CONTROLS AND PROCEDURES

Within the ninety day period prior to the date of this report, we conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer (its 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 14 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 were no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date we carried out our evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

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

None

Item 5. Other Information

None

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

(a) Exhibits

99.1 Certification Pursuant to 18 United States Code Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley

Act of 2002, of James L. Peterson, President and Chief Executive Officer of the Company

99.2 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, Senior Vice President and Chief Financial Officer of the Company

99.3 Employment agreement between Thomas D. Headley and Haemonetics Corporation dated January 2, 2003.

(b) Reports on Form 8-K

Registrant filed a Report on Form 8-K dated October 22, 2002 announcing the retirement of the current Chairman of the Board of Directors and the selection of his successor.

SIGNATURES

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

HAEMONETICS CORPORATION

Date: February 7, 2003 By: /s/_James L. Peterson

James L. Peterson, President and Chief Executive Officer

Date: February 7, 2003 By: /s/ Ronald J. Ryan

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

CERTIFICATION

I, James L. Peterson, 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 quarterly 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 quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 7, 2003

/s/James L. Peterson

James L. Peterson, President and
Chief Executive Officer Principal
Executive Officer)

CERTIFICATION

I, Ronald J. Ryan, Senior 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 quarterly 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 quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 7, 2003

/s/Ronald J. Ryan

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

EXHIBIT 99.1

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 ended December 28, 2002 as filed with the Securities and Exchange Commission (the "Report"), I, James L. Peterson, 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: February 7, 2003

/s/ James L. Peterson

James L. Peterson
President and Chief Executive Officer

EXHIBIT 99.2

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 ended December 28, 2002 as filed with the Securities and Exchange Commission (the "Report"), I, Ronald J. Ryan, Senior 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: February 7, 2003

/s/Ronald J. Ryan

Ronald J. Ryan
Senior Vice President and Chief
Financial Officer

Exhibit 99.3

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "Agreement") is entered into effective as of January 2, 2003, (the "Effective Date"), between Thomas D. Headley (the "Executive") a resident at 1426 Moraine Drive, Vail, CO 81657, and Haemonetics Corporation (the "Company"), a Massachusetts corporation with its principal executive offices at 400 Wood Road, Braintree, Massachusetts 02184.

ARTICLE 1. EMPLOYMENT OF EXECUTIVE

1.1 Employment. Subject to the terms and conditions of this Agreement, the Company agrees to employ Executive in a full time capacity to serve as Executive Vice President, Business Unit Group & Corporate R&D, of the Company, and to perform such specific duties as may reasonably be assigned to Executive from time to time by the Company's President and Chief Executive Officer for the period commencing as of the Effective Date and continuing until May 1, 2003. Executive hereby accepts such employment for the term hereof.

1.2 Full Time Commitment. During the period of Executive's employment with the Company, Executive will, unless prevented by ill health, devote his entire attention and business time to the performance of his duties hereunder for the business of the Company. It is expressly agreed that Executive shall not be required to reside in Massachusetts during the term of the Agreement, provided however that he shall be a available to travel to Braintree, Massachusetts at Company expense, at mutually agreed times.

1.3 Future Consulting Agreement. It is the parties' express intent to negotiate a consulting agreement, between Mr. Headley and the Company, upon mutually satisfactory terms, for the period May 1, 2003 to May 1, 2004. The scope of the Consulting Agreement will include: serving as a transition resource to new R&D leadership, consulting on the architecture of future product families and attending quarterly New Product Portfolio meetings.

ARTICLE 2. COMPENSATION

For all services to be rendered by Executive to the Company pursuant to this Agreement, the Company shall pay to Executive the compensation and provide for Executive the benefits set forth below:

2.1 Base Salary and special bonuses. The Company shall pay to Executive a base salary at the rate of $246,000 per annum. In addition, the Executive shall be paid a retention bonus of $85,000 if he remains a full

time employee until May 1, 2003 and, in addition, if a mutually agreeable consulting agreement as outlined above is agreed to by that time. In addition, the Executive shall be paid a bonus equal to three (3) months base salary if the Company receives a CE mark approval for the Red Cell Collector by May 31, 2003.

2.2 Fringe Benefits. During the term of Executive's employment hereunder the Company shall provide Executive with such benefits as are generally made available by the Company to its other full time executive employees, including four weeks of vacation annually, and including reasonable travel expenses incurred while engaged in Company business. For a period not to exceed eighteen (18) months after May 1, 2003, provided Executive shall have complied with all terms of this Agreement, the Company shall pay 100% of the premium for Executive's continued participation in the Company's health care program, under COBRA, and for Executive's continued participation in the Company's disability and life insurance programs as permitted under law or by such programs.

ARTICLE 3. TERMINATION

3.1 Term. Unless earlier terminated as herein provided, Executive's employment pursuant to this Employment Agreement shall begin on the Commencement Date and shall continue until May 1, 2003.

3.2 Termination for Cause - by the Company. The Company may terminate Executive's employment for "Cause" upon the occurrence of any of the following events:

(i) Executive shall have engaged in (A) any misappropriation of funds, properties or assets of the Company, (B) any malicious material damage or destruction of any property or assets of the Company, whether resulting from Executive's willful action or omissions or negligence, or (C) any knowing falsification of any books, records, documents of systems of the Company.

(ii) Executive shall (A) have been convicted of a crime involving moral turpitude or constituting a felony, or (B) commit or knowingly allow to be committed any illegal material action on any premises of, or involving any property or assets of, the Company.

3.3 Termination for Cause - by Executive. Executive may terminate his employment with the Company for "Cause" upon the occurrence of any of the following events:

~~(i) The Company shall breach any of the material provisions of the Agreement and such breach shall remain uncured by or on behalf of the Company within thirty (30) days following its receipt of notice from the Executive, which specifically identifies the manner in which it is alleged that Company committed such breach;~~

~~(iii) A materially adverse change in the responsibilities assigned to Executive by the Company or in the compensation and benefits paid by Company to the Executive shall have occurred such material adverse change shall remain uncured by or on behalf of the Company within thirty (30) days following its receipt of notice from Executive specifically identifying such material adverse change; or~~

~~3.5 Death. In the event of the death of Executive, Executive's employment by the Company shall automatically terminate as of the date of his death.~~

~~3.6 Disability. In the event of the Disability of Executive, as defined herein, the Company may terminate Executive's employment hereunder upon written notice to Executive. The term "Disability" shall mean the inability of Executive to perform substantially his material duties hereunder due to physical or mental disablement which continues for a period of thirty (30) consecutive days, as determined by an independent qualified physician mutually acceptable to the Company and Executive (or his personal representative) or, if the Company and Executive (or such representative) are unable to agree on an independent qualified physician, as determined by a panel of three physicians, one designated by the Company, one designated by Executive (or his personal representative) and one designated by the two physicians so designated.~~

~~ARTICLE 4. SEVERANCE PAYMENTS AND BENEFITS~~

~~4.1 Termination Events Resulting in Severance Payments. In the event of the termination of the Executive's employment:~~

~~(i) by the Company without "Cause," or~~
~~(ii) under Section 3.3,~~

~~the Company shall pay Executive, as a severance payment, an amount equal to all of Executive's base salary remaining to be paid under this employment agreement. Such payment shall be made in monthly installments during the period commencing on the date such termination occurs and ending effective May 1, 2003.~~

~~4.2 Benefits. If Section 4.1 is applicable, the Company shall also provide to Executive until May 1, 2003, at the Company's expense, such benefits as are in effect and applicable to Executive as of the Termination Date, except to the extent expressly prohibited by the terms of such benefit plan, program or policies.~~

~~4.3 Comparable Benefits: Continuation of Benefits. If by operation of law or under the terms of the relevant plan, program or policy, Executive is not eligible to receive payments or benefits described in the~~

~~foregoing Section 4.2 during the Severance Period, then the Company may choose to provide to Executive substantially equivalent benefits or, at Executive's election, the cash value of equivalent benefits. By way of example, this provision shall apply to benefits or payments payable under the Company's medical, dental, life and long term disability programs, as well as the Company's matching contribution under the 401(k) plan. This provision shall not apply to group travel accident coverage or to the Company's Employee Stock Purchase Plan, which shall terminate upon termination of employment.~~

~~ARTICLE 5. PROPRIETARY INFORMATION AND NON COMPETITION~~

~~5.1 For the purposes of this Article, the following shall have the designated meanings.~~

~~5.1.1. Proprietary Information: Information of value to the Company and not generally available to the public of whatever kind of nature disclosed to Executive or known by Executive (whether or not invented, discovered or developed by Executive) as a consequence of or through Executive's employment with the Company. Proprietary Information shall include information relating to the design, manufacture, application, know how, research and development relating to the Company's products, possible new products, sources of supply and materials, operating and other cost data, lists of present, past, or prospective customers, customer proposals, price lists and data relating to pricing of the Company's products or services, and shall specifically include all information contained in manuals, memoranda, formulae, plans, drawings and designs, specifications, supply sources, and records of the Company legend or otherwise identified by the Company as Proprietary Information, whether learned by Executive prior to or after the date hereof.~~

~~5.1.2 Concepts and Ideas: Those concepts and ideas, in the area of blood processing, known to Executive relating to the Company's present and prospective activities and products.~~

~~5.1.3 Inventions: Discoveries and developments, in the area of blood processing, whether or not patentable. Such terms shall not be limited to the meaning of "invention" under the United States Patent Laws.~~

~~5.2 All Inventions which are at any time "made" i.e., conceived or reduced to practice by Executive, acting alone or in conjunction with others, during or in connection with Executive's employment (or, if based on or related to Proprietary Information, "made" by Executive within twelve (12) months after the termination of such employment) and those Concepts and Ideas held by Executive shall be the property of the Company, free of any reserved or other rights of any kind on Executive's part in respect thereof.~~

~~5.3 Executive will promptly make full disclosure to the Company in writing to the Chief Executive Officer of any such Inventions and Concepts. Further, Executive will, at the Company's costs and expense, promptly execute formal applications for patents and also do all other acts and things (including, among other, the execution and delivery of instruments of further assurance or confirmation) deemed by the Company to be necessary or desirable at any time or times in order to effect the full assignment to the Company of all right and title to such Inventions and Concepts and Ideas, without, during the term of this Agreement, further compensation. The absence of a request by the Company for information, or for the making of an oath, or for the execution of any document, shall in no way be construed to constitute a waiver of the Company's rights under this Agreement~~

~~5.4 Except as required by Executive's duties hereunder, Executive will not, directly or indirectly, use, publish, disseminate, or otherwise disclose any Proprietary Information, Concepts and Ideas or Inventions without the prior written consent of the Company.~~

~~5.5. All documents, procedural manuals, guides, specifications, plans, drawings, designs and similar materials, lists of present, past or prospective customers, customer proposals, invitations to submit proposals, price lists and data relating to pricing of the Company's products and services, records, notebooks and similar repositories of or containing Proprietary Information and Inventions, including all copies thereof, that come into Executive's possession or control by reasons of Executive's employment, whether prepared by Executive or others, are the property of the Company, will not be used by Executive in any way adverse to the Company, will not be removed from the Company's premises except as Executive's normal duties require and, at the termination of Executive's employment with the Company, will be left with or forthwith returned by Executive to the Company.~~

~~5.6 During the time Executive is an employee of the Company and for a period of one (1) year thereafter, unless with the prior written consent of Company, Executive will not engage in any activity, on his own behalf or on behalf of any competitor of the Company, which is in the field of blood processing and involves activities similar to those performed at the Company, nor will the Executive endeavor to entice away from the Company any employee whether on Executive's behalf or on the behalf of another while Executive is an employee and for a period of one (1) year thereafter.~~

~~ARTICLE 6. MISCELLANEOUS~~

~~6.1 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.~~

~~6.2 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, successors and assigns. If Executive should die while any amount due to him at such time remains unpaid, such amount, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee or if there is no such designee, to his estate.~~

~~6.3 Assignment. Except as otherwise provided in Section 5.4, neither this Agreement nor any rights or obligations hereunder shall be assignable by either party hereto without the prior written consent of the other party.~~

~~6.4 Obligation of the Company's Successors. Any successor to the business of the Company, whether directly or indirectly by merger, consolidation, recapitalization, combination, purchase of stock, purchase of assets or otherwise, shall succeed to the rights and obligations of the Company hereunder. The Company will require any such successor to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.~~

~~6.5 Notices. All notices, requests, demands and other communications to be given pursuant to this Agreement shall be in writing and shall be in writing and shall be deemed to have been duly given if delivered by hand or mailed by registered or certified mail, return receipt requested, postage prepaid, as follows:~~

~~If to the Company, to:~~
~~Haemonetics Corporation~~
~~400 Wood Road~~
~~Braintree, MA 02184~~
~~Attention: James L. Peterson, CEO~~

~~If to Executive, to: Thomas D. Headley~~
~~1426 Moraine Drive~~
~~Vail, CO 81657~~

~~or such other address as either party hereto shall have designated by notice in writing to the other party.~~

~~6.6 Amendments. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and such officer of the Company as may be specifically designated by the Company's Board of Directors. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or~~

~~provision of the Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.~~

~~6.7 Authorization and Governing Law. This Agreement has received all required authorizations, and the legal relations between the parties hereto shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.~~

~~6.8 Severability. In case of any provision hereof shall, for any reason, be held to be invalid or unenforceable in any respect, such invalidity or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid or unenforceable provision had not been included herein. If any provision hereof shall, for any reason, be held by a court to be excessively broad as to duration, geographical scope, activity or subject matter, it shall be construed by limiting and reducing it to make it enforceable to the extent compatible with applicable law then in effect.~~

~~6.9 Withholding. Any payments provided for hereunder shall be paid after deducting any applicable withholding required under federal, state or local law.~~

~~6.10 Entire Agreement. This Agreement sets for the entire agreement of the parties hereto in respect of the subject matter contained herein, and supersedes the provisions of all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto with respect to the subject matter hereof. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.~~

~~IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement under seal as of the date first above written.~~

	~~Haemonetics Corporation~~
~~/s/ Thomas D. Headley~~	~~/s/ James L. Peterson~~
~~Thomas D. Headley~~ ~~Executive Vice President~~ ~~Business Unit Group and~~ ~~Corporate R&D~~	~~By: James L. Peterson~~ ~~President and CEO~~