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: September 29, 2001   Commission File Number: 1-10730

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

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

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

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

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

Yes X No

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

26,396,204 shares of Common Stock, $ .01 par value, as of
September 29, 2001

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

	Three Months Ended		Six Months Ended	
	Sept. 29, 2001	Sept. 30, 2000	Sept. 30, 2001	Sept. 30, 2000
Net revenues	$80,704	$ 70,943	$156,505	$141,208
Cost of goods sold	40,903	37,522	80,393	74,341
Gross profit	39,801	33,421	76,112	66,867
Operating expenses:				
Research and development.	4,988	4,261	9,802	8,434
Selling, general and administrative .	21,859	20,873	43,824	41,858
In process research and development (Note 10)	-	18,606	-	18,606
Other unusual charges relating to acquisition (Note 10)		4,174		4,614
Total operating expenses	26,847	47,914	53,626	73,512
Operating income (loss)	12,954	(14,493)	22,486	(6,645)
Interest expense	(981)	(848)	(1,963)	(1,869)
Interest income	1,089	1,126	2,177	2,308
Other income, net	755	844	1,728	1,650
Income (loss) before provision for income taxes	13,817	(13,371)	24,428	(4,556)
Provision for income taxes .	3,869	1,746	6,840	4,337
Income (loss) before cumulative effect of change in accounting principle	$ 9,948	$(15,117)	$17,588	$(8,893)
Cumulative effect of change in accounting principle, net of tax			2,304	
Net income (loss)	$ 9,948	$(15,117)	$19,892	$(8,893)
Basic income (loss) per common share				
Income (loss) before cumulative effect of change in accounting principle	$ 0.38	$ (0.60)	$ 0.67	$ (0.35)
Cumulative effect of change in accounting principle, net of tax	-	-	0.09	
Net income (loss)	$ 0.38	$ (0.60)	$ 0.76	$ (0.35)
Diluted income (loss) per common share				
Income (loss) before cumulative effect of change in accounting principle	$ 0.37	$ (0.60)	$ 0.65	$ (0.35)
Cumulative effect of change in accounting principle, net of tax			0.09	
Net income (loss)	$ 0.37	$ (0.60)	$ 0.73	$ (0.35)
Weighted average shares outstanding				
Basic	26,287	25,133	26,133	25,191
Diluted	27,239	25,133	27,093	25,191

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

	Sept. 29, 2001	March 31, 2001
ASSETS		
Current assets:		
Cash and short term investments	$ 57,847	$ 41,441
Available for sale investments	45,804	33,042
Accounts receivable, less allowance of $1,337 at September 29, 2001 and $1,233 at March 31, 2001	66,800	59,842
Inventories	61,986	54,007
Current investment in sales-type leases, net	4,729	5,680
Deferred tax asset	20,017	19,982
Other prepaid and current assets	7,323	5,170
Total current assets	264,506	219,164
Property, plant and equipment	217,020	203,883
Less accumulated depreciation	134,610	120,632
Net property, plant and equipment	82,410	83,251
Other assets:		
Investment in sales-type leases, net	3,396	5,391
Other intangibles, less accumulated amortization of $1,217 at September 29, 2001 and $599 at March 31, 2001	18,696	19,107
Goodwill, less accumulated amortization of $7,541 at September 29, 2001 and $7,827 at March 31, 2001	12,771	14,426
Deferred tax asset	8,138	1,737
Other long-term assets	2,095	2,238
Total other assets	45,096	42,899
Total assets	$392,012	$345,314
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current maturities of long-term debt	33,180	22,438
Accounts payable	12,254	13,350
Accrued payroll and related costs	12,549	10,072
Accrued income taxes	17,981	14,791
Other accrued liabilities	18,272	18,796
Total current liabilities	94,236	79,447
Long-term debt, net of current maturities	47,303	47,281
Other long-term liabilities	3,136	3,070
Stockholders' equity:		
Common stock, $.01 par value; Authorized - 80,000,000 shares; Issued 31,324,326 shares at September 29, 2001; 30,721,723 shares at March 31, 2001	313	307
Additional paid-in capital	98,514	87,958
Retained earnings	254,245	234,325
Other comprehensive loss	(16,501)	(17,618)
Stockholders' equity before treasury stock	336,571	304,972
Less: treasury stock 4,928,122 shares at cost at September 29, 2001 and 4,940,390 shares at cost at March 31, 2001	89,234	89,456
Total stockholders' equity	247,337	215,516
Total liabilities and stockholders' equity	$392,012	$345,314

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

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

	Common Stock		Additional Paid in Capital	Treasury Stock	Retained Earnings	Other Comprehensive Income(loss)	Total Stockholders' Equity	Comprehensive Income (loss)
	Shares	$						
Balance, March 31, 2001	30,722	$307	$87,958	($89,456)	$234,325	($17,618)	$215,516	
Employee stock purchase plan	--	--	--	222	28	--	250	
Exercise of stock options and related tax benefit	602	6	10,556				10,562	
Net income					19,892		19,892	$19,892
Foreign currency translation adjustment						1,320	1,320	1,320
Unrealized loss on derivatives						(203)	(203)	(203)
Comprehensive income								$21,009
Balance, September 29, 2001	31,324	$313	$98,514	($89,234)	$254,245	($16,501)	$247,337	

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

	Six Months Ended	
	Sept. 29, 2001	Sept. 30, 2000
Cash Flows from Operating Activities:		
Net income (loss)	$ 19,892	$ (8,893)
Adjustments to reconcile net income to net cash provided by operating activities:		
Non cash items:		
Cumulative effect of change in accounting principle, net of tax	(2,304)	
Depreciation and amortization	15,487	11,972
Deferred tax expense	(6,419)	(77)
In process research and development (Note 10)		18,606
Equity in losses of investment (Note 10)		1,353
Other unusual non-cash charges (Note 10)	--	1,282
Realized gain from exchange rate fluctuations	726	
Change in operating assets and liabilities:		
Increase in accounts receivable - net	(6,721)	(1,572)
(Increase) decrease in inventories	(10,658)	3,691
Decrease in sales-type leases (current)	951	1,686
Increase in prepaid income taxes	(291)	(171)
Decrease (increase) in other assets	1,184	(334)
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	4,160	(2,849)
Net cash provided by operating activities	16,007	24,694
Cash Flows from Investing Activities:		
Purchases of available for sale investments, net of maturities	(40,251)	9,967
Gross proceeds from sale of available for sale investments	27,489	13,089
Capital expenditures on property, plant and equipment, net of retirements and disposals	(10,875)	(6,182)
Acquisition of Transfusion Technologies Corporation, net of cash acquired		(26,572)
Net decrease in sales-type leases (long term)	1,995	2,977
Net cash used in investing activities	(21,642)	(6,721)
Cash Flows from Financing Activities:		
Payments on long term real estate mortgage	(174)	
Net increase (decrease) in short-term revolving credit agreements	10,889	(15,568)
Net increase (decrease) in long-term credit agreements	216	(235)
Employee stock purchase plan purchases	250	208
Exercise of stock options and related tax benefit	10,562	2,880
Purchase of treasury stock	--	(4,729)
Net cash provided by (used in) financing activities	21,743	(17,444)
Effect of exchange rates on cash and cash equivalents	298	(183)
Net increase in cash and cash equivalents	16,406	346
Cash and cash equivalents at beginning of period	41,441	25,911
Cash and cash equivalents at end of period	$ 57,847	$ 26,257
Non cash investing and financing activities:		
Transfers from inventory to fixed assets for Haemonetics placement equipment	$ 2,824	$ 3,130
Supplemental disclosures of cash flow information:		
Interest paid	$ 1,846	$ 1,748
Income taxes paid	$ 5,090	$ 3,354

HAEMONETICS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

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

2. FISCAL YEAR

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

3. ACCOUNTING FOR SHIPPING AND HANDLING COSTS

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

The EITF consensus also requires an entity to disclose the amount of shipping and handling costs and the line item on the income statement that includes such costs if the costs are not in cost of goods sold and are significant. Shipping and handling costs are included in costs of goods sold with the exception of $1.6 million and $1.0 million for three months ended September 29, 2001 and September 30, 2000 and $3.1 million and $1.9 million for the six months ended September 29, 2001 and September 30, 2001, respectively that are included in selling, general and administrative expenses.

4. NEW PRONONCEMENTS

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

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

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

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

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

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

~~At September 29, 2001, the Company had 28 forward contracts outstanding, all maturing in less than twelve months, to exchange Euro equivalent currencies and the Japanese yen primarily for U.S. dollars totaling $106.7 million. Of these contracts, six, totaling $22.8 million, represented contracts with zero fair value relating to inter-company receivables put in place at quarter end, that settle within 35 days after quarter end. The Company has designated the remainder of these contracts as cash flow hedges intended to lock in the expected cash flows of forecasted foreign currency denominated revenues at the available spot rate. The fair value of the forward contracts associated with changes in forward points is excluded from the Company's assessment of hedge effectiveness. At adoption, the Company recorded the fair value of these contracts of $9.2 million as an asset on the balance sheet. The change in the fair value of the contracts associated with changes in the spot rate as of April 1, 2001 of $4.6 million was recorded in other comprehensive income, ($6.4 million less taxes of $1.8 million). The change in the fair value of the contracts attributable to forward points, which are excluded from the Company's assessment of hedge effectiveness, totaled $2.3 million ($3.2 million less taxes of $0.9 million) as of April 1, 2001. This amount was recorded as a cumulative effect of a change in accounting principle.~~

~~At September 29, 2001, the fair value of the forward contracts was $1.4 million. Of this amount, $0.2 million was recorded in other comprehensive income, ($0.3 million less taxes of $0.1 million). For the six months ended September 29, 2001, the change in the fair value attributable to forward points totaled approximately $1.9 million. This balance was excluded from the assessment of hedge effectiveness and was recorded as part of other income, net for the six months ended September 29, 2001 in the Company's unaudited consolidated statement of operations.~~

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

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

(Income)/Expense Cash Flow Hedges Debit (Credit)	Asset Forward Contracts	Other Comprehensive Income, net of tax	Other (Income) Expense, net	Cumulative Effect of Change in Accounting Principle, net of tax
At adoption of SFAS No. 133, net of tax	$ 9,200	$(4,608)	$	$(2,304)
For six months ended September 29, 2001	(7,835)	4,811	(1,868)	--
Balance	$ 1,365	$ 203		

Prior to the adoption of SFAS No. 133 as amended, the Company recorded forward points as other income when the transactions being hedged was recognized. Under SFAS No. 133 as amended, these points are recorded on a fair value basis over the life of the contracts. For the six months ended September 29, 2001, income from forward points was $5.1 million or $2.3 million higher than if booked under SFAS No. 52, ("Foreign Currency Translation.")

5. ACQUIRED OTHER INTANGIBLE ASSETS

(in thousands)	As of September 29, 2001 Gross Carrying Amount	Accumulated Amortization
Asset Class		
Patents	$ 6,495	$ 409
Unpatented technology	7,418	508
Customer contracts and related relationships	6,000	300
Total	$19,913	$1,217

Aggregate amortization expense for amortized other intangible assets for the three months and six months ended September 29, 2001 is $323,000 and $618,000, respectively. Additionally, future amortization expense on other intangible assets for each of the succeeding five fiscal years is approximated to be $1.2 million.

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

6. GOODWILL

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

Carrying amount as of March 31, 2001	$14,426
Adjustment due to the change in the valuation of acquired net operating losses of Transfusion Technologies in September, 2000. ($2,821 gross less $84 in accumulated amortization.)	(2,737)
Adjustment due to change in the valuation of the liabilities associated with the acquisition of the Alpha Therapeutic Corporation plasma collection bottle plant in January, 2001.	878
Effect of change in rates used for translation	204
Carrying amount as of September 29, 2001	$12,771
	=======

The proforma effect on prior year earnings of excluding amortization expense, net of tax, is as follows:

(in thousands except per share data)	For the three months ended September 29, 2000	For the six months ended September 29, 2000
Reported net loss	$(15,117)	$(8,893)
Add back: goodwill amortization	191	376
Adjusted net loss	$(14,926)	$(8,517)
	=======	=======
Basic and diluted loss per common share:		
Reported net loss	$ (0.60)	$ (0.35)
Goodwill amortization	0.01	0.01
Adjusted net loss	$ (0.59)	$ (0.34)
	=======	=======

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

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

7. INVENTORIES

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

Inventories consist of the following:

	September 29, 2001	March 31, 2001
	(in thousands)	
Raw materials	$17,266	$16,015
Work in process	5,715	4,237
Finished goods	39,005	33,755
	$61,986	$54,007

8. NET INCOME PER SHARE

The following table provides a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations, as required by SFAS No. 128, "Earnings Per Share." Basic EPS is computed by dividing reported earnings available to stockholders by weighted average shares outstanding. Diluted EPS includes the effect of potential dilutive common shares. The Company did not include the effect of Stock options in its calculation of Diluted loss per share for the three and six months ended September 30, 2000 as it was anti dilutive.

	For the three months ended	
	September 29, 2001	September 30, 2000
Basic EPS		
Net income (loss)	$ 9,948	$(15,117)
Weighted average shares	26,287	25,133
Basic income (loss) per share	$ 0.378	$ (0.602)
Diluted EPS		
Net income (loss)	$ 9,948	$(15,177)
Basic weighted average shares	26,287	25,133
Effect of stock options	952	
Diluted weighted average shares	27,239	25,133
Diluted income (loss) per share	$ 0.365	$ (0.602)

	For the six months ended	
	September 29, 2001	September 30, 2000
Basic EPS		
Net Income (loss)	$19,892	$ (8,893)
Weighted average shares	26,133	25,191
Basic income (loss) per share	$ 0.761	$ (0.353)
Diluted EPS		
Net income (loss)	$19,892	$ (8,893)
Basic weighted average shares	26,133	25,191
Effect of stock options	960	--
Diluted weighted average shares	27,093	25,191
Diluted income (loss) per share	$ 0.734	$ (0.353)

9. SEGMENT INFORMATION

Segment Definition Criteria

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

Product and Service Segmentation

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

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

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

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

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

Three months ended (in thousands)

	Blood Bank	Red Cells	Surgical	Plasma	Other	Total
September 29, 2001						
Revenues from external customers	$28,729	2,548	17,012	29,389	3,026	$ 80,704
September 30, 2000						
Revenues from external customers	$27,573	1,855	15,610	21,893	4,012	$ 70,943

Six months ended (in thousands)

	Blood Bank	Red Cells	Surgical	Plasma	Other	Total
September 29, 2001						
Revenues from external customers	$54,226	4,968	34,145	56,287	6,879	$156,505
September 30, 2000						
Revenues from external customers	$54,678	3,607	31,577	42,712	8,634	$141,208

10. ACQUISITION

Transfusion Technologies

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

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

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

The Transfusion merger was accounted for using the purchase method of accounting for business combinations. Accordingly, the accompanying Consolidated Statement of Operations includes Transfusion Technologies' results of operations commencing on the date of acquisition. The purchase price was allocated to the net assets acquired based on the Company's estimates of fair value at the acquisition date. The fair market value of liabilities included in the net assets purchased was $6.3 million. The allocation of the purchase price continues to be subject to adjustment upon final valuation of certain acquired assets and liabilities. The excess of the purchase price over the fair market value of the net assets acquired was recorded as goodwill in the amount of $2.8 million. The goodwill is being amortized over 20 years.

At September 29, 2001, the allocation of the purchase price over the fair market value of the assets acquired is as follows:

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

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

In Process Research and Development

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

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

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

The discount rates used to present value the projected cash flows were based on a weighted average cost of capital relative to Transfusion Technologies and its industry adjusted for the product specific risk associated with

~~the purchased IPR&D projects. Product specific risk includes such factors as: the stage of completion of each project, the complexity of the development work completed to date, the likelihood of achieving technological feasibility, and market acceptance.~~

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

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

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

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

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

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

	Six Months Ended September 29, 2000 (in thousands, except per share amounts)
Net revenues	$141,639
Operating income	6,392
Income from continuing operations	5,551
Basic and diluted income per common share for continuing operations:	
Basic	$ 0.22
Diluted	$ 0.22
Weighted average number of common shares outstanding	
Basic	25,191
Diluted	25,738

Unusual charges expensed as a result of the acquisition of Transfusion Technologies amounted to $4.2 and $4.6 million, respectively, for the three and six months ended September 30, 2000. Included in the unusual charges were $2.8 million in bonuses paid to key Transfusion executives hired by Haemonetics and severance to Haemonetics employees laid off due to overlaps created by the merger, a $0.5 million write off of an investment in a technology which the Company decided not to pursue in lieu of the technologies acquired in the merger, and the adjustment required to modify the 19.8% investment of Transfusion by Haemonetics in November of fiscal year 2000 from the cost method to the equity method of accounting as required by generally accepted accounting principles. To effect this change, the historic cost of the 19.8% investment made by Haemonetics' was written down by its 19.8% share of the monthly losses incurred by Transfusion Technologies from November of fiscal year 2000 through the date of acquisition of the remaining 80.2%. For fiscal year 2001, the charge to the statement of operations related to this equity adjustment was $0.9 and $ 1.3 million, respectively for the three and six months ended September 30, 2000. In addition, the Company restated its investment in Transfusion on the balance sheet for losses incurred through April 1, 2000. Retained earnings at April 1, 2000 was also reduced by $3.6 million, $0.7 million of which related to the cost to equity method of accounting adjustment and $2.9 million of which related to IPR&D attributable to Haemonetics' initial investment.

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

RESULTS OF OPERATIONS

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

	Percentage of Net Revenue Three Months Ended		Three Months Ended Percentage Increase/(Decrease) (in actual dollars)
	Sept. 29, 2001	Sept. 30, 2000	2001/2000
Net revenues	100.0%	100.0%	13.8%
Cost of goods sold	50.7	52.9	9.0
Gross Profit	49.3	47.1	19.1
Operating Expenses:			
Research and development	6.2	6.0	17.1
Selling, general and administrative	27.1	29.4	4.7
In process research and development	--	26.2	(100.0)
Other unusual charges related to acquisition		5.9	(100.0)
Total operating expenses	33.2	67.5	(44.0)
Operating income	16.1	(20.4)	(189.4)
Interest expense	(1.2)	(1.2)	15.7
Interest income	1.3	1.6	(3.6)
Other income, net	0.9	1.1	(10.6)
Income (loss) before provision for income taxes	17.1	(18.9)	(203.3)
Provision for income taxes	4.8	2.6	121.6
Net income (loss)	12.3%	(21.3)	(165.8)%

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

			Percent Increase/(Decrease)	
By geography:	2001	2000	Actual dollars as reported	At constant currency
United States	$29,895	$22,500	32.9%	32.9%
International	50,809	48,443	4.9	7.8
Net revenues	$80,704	$70,943	13.8%	15.8%

			Percent Increase/(Decrease)	
By product type:	2001	2000	Actual dollars as reported	At constant currency
Disposables	$72,999	$64,286	13.6%	15.1%
Misc. & service	3,026	4,012	(24.6%)	(18.0%)
Equipment	4,679	2,645	76.9%	83.0%
Net revenues	$80,704	$70,943	13.8%	15.8%

Disposable revenue By product line:	2001	2000	Actual dollars as reported	At constant currency
Surgical	$15,958	$14,221	12.3%	15.1%
Blood bank	26,008	26,451	(1.7)	(0.2)
Red cells	2,548	1,855	37.3	45.2
Plasma	28,485	21,769	30.9	31.0
Disposable revenues	$72,999	$64,286	13.6%	15.1%

Three months ended September 29, 2001 compared to three months ended September 30, 2000

Net Revenues

Net revenues in 2001 increased 13.8% to $80.7 million from $70.9 million in 2000. With currency rates held constant, net revenues increased 15.8% from 2000 to 2001.

Disposable sales increased 13.6% year over year at actual rates. With currency rates held constant, disposable sales increased 15.1%. Year over year constant currency disposable sales growth was a result of disposable growth in worldwide Red Cells (up 45.2%), worldwide Surgical (up 15.1%) and worldwide Plasma (up 31.0%). The increase in worldwide red cell sales is primarily attributable to volume increases in the U.S. market as the rollout of this new technology continues to gain strength. The growth in the worldwide surgical disposable sales is mainly attributed to volume increase in the U.S. and Europe with the success of the Company's newly acquired OrthoPAT(R) into the orthopedic market and the strengthening demand for autotransfusion due to increasing number of blood shortages. Worldwide, the OrthoPAT(R) accounted for 9.6% of the constant currency growth in surgical disposable sales. The growth in worldwide Plasma disposables sales is mainly attributed to volume increases of products sold in the U.S. due to an upturn in plasma collections as demand for plasma outpaces supply. Of the 31.0% constant currency Plasma growth, approximately 8.0% of it was due to sales of bottles related to the Company's acquisition of the plasma container business in the fourth quarter of last year. Worldwide Platelet disposable sales were relatively flat as compared to 2000.

Constant currency sales of disposable products, excluding service and other miscellaneous revenue, accounted for 90.4% and 91.0% of net revenues for 2001 and 2000, respectively.

Service revenue generated from equipment repairs performed under preventive maintenance contracts or emergency service billings and miscellaneous revenues accounted for 5.4% and 3.8% of the Company's net revenues, at constant currency, for 2001 and 2000, respectively.

Equipment revenues increased 76.9% from $2.6 million in 2000 at actual rates and increased 83.0% or $2.2 million year over year with currency rates held constant. The increase is attributable to sales of platelet and plasma machines internationally and to sales of the new ACP 215 product domestically.

International sales as reported accounted for 63.0% and 68.3% of net revenues for 2001 and 2000, respectively. As in the U.S., sales outside the U.S. are susceptible to risks and uncertainties from regulatory changes, the Company's ability to forecast product demand and market acceptance of the Company's products, changes in economic conditions, the impact of competitive products and pricing, changes in health care policy and the events of September 11, 2001 and their aftermath.

Gross profit

Gross profit of $39.8 million for the three months ended September 29, 2001 increased $6.4 million or 2.2% as a percent of sales from $33.4 million for the three months ended September 30, 2000. At constant currency, gross profit as a percent of sales increased by 3.2% and increased in dollars by $7.7 million or 23.9% from 2000 to 2001. The $7.7 million constant currency gross profit increase from 2000 was primarily a result of higher sales, efficiency gains due to higher manufacturing volumes, and cost reductions.

In 1998, the Company initiated the Company's Customer Oriented Redesign for Excellence ("CORE") Program to increase operational effectiveness and improve all aspects of customer service. The CORE Program is based on Total Quality of Management ("TQM") principals, and the Program aims to increase the efficiency, and the quality of processes and products, and to improve the quality of management at Haemonetics. For the three months ending September 29, 2001, the CORE program has generated approximately $1.0 million of cost savings benefiting the Company's gross profit. The estimated savings for the full twelve months of fiscal year 2002 is expected from initiatives to lower product costs by automating and redesigning the way certain products are made so that less material and labor is needed and by negotiating lower material prices with vendors. These savings will help to offset increases in other product costs.

Expenses

The Company expended $5.0 million (6.2% of net revenues) on research and development in 2001 and $4.3 million (6.0% of net revenues) in 2000. At constant currency rates, research and development as a percent of sales increased by 0.3% and increased in dollars by $0.8 million from 2000 to 2001. The increase in research and development is a result of the Company's objective to reinvest available funds into new product development.

Selling, general and administrative expenses increased $1.0 million from $21.0 million in 2000 to approximately $22.0 million in 2001. At constant currency, selling, general and administrative expenses increased $2.1 million from 2000 yet decreased 1.4% as a percent of sales from 2000 to 2001. Higher sales and increased spending behind the Company's new product selling and marketing activities contributed to the dollar increase year over year. The CORE Program is not expected to have a notable impact in savings related to selling, general and administrative expenses during the current year as most savings are expected in cost of goods sold.

In Process Research and Development (IPR&D) and Other Unusual charges Relating to the Acquisition

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

Upon consummation of the Transfusion Technologies acquisition in the second quarter of fiscal 2001, the Company incurred costs representing the value of the research and development projects. Included in the purchase price allocation for the acquisition of Transfusion Technologies was an aggregate amount of purchased in process research and development ("IPR&D") of $21.5 million, $2.9 million of which is reflected in the restatement of fiscal year 2000 relative to Haemonetics' original 19.8% investment and $18.6 million of which is reflected in consolidated statement of operations for the three months ending September 30, 2000 (fiscal year 2001). The values represent purchased in process technology that had not yet reached technical feasibility and had no alternative future use.

Accordingly, the amounts were immediately expensed in the consolidated statement of operations (see Note 10 in the unaudited consolidated financial statements for further discussion of the acquisition and IPR&D charges).

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

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

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

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

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

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

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

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

As of September 29, 2001, the estimated percent completion of the RCC project is 67%. The expected date that product sales will commence is fiscal year 2004. All other estimates for cost of sales, S, G&A costs and income tax rates relative to the RCC project remain unchanged. Significant design, software programming, disposable set development and sourcing requirements are still to be completed. In addition, clinical trials will be conducted prior to submission of a 510K to the FDA. The estimated cost to be incurred to develop the purchased in process RCC technology into a commercially viable product is approximately $1.5 million in fiscal 2002, $1.9 million in fiscal 2003 and $1.0 million in fiscal 2004.

The Company incurred a charge in the second quarter of fiscal 2001 related to the acquisition of Transfusion Technologies Corporation of $18.6 million representing the value of the research and development projects that were in process, that had not yet reached technical feasibility and had no alternative future use at the time of the acquisition. Accordingly, the amounts were immediately expensed in the consolidated statement of operations. (See footnote 10 to the unaudited consolidated financial statements for a further description of the acquisition and an explanation as to how the IPR&D was valued.)

b) Other Unusual Charges Relating to the Acquisition

Unusual charges expensed in the second quarter of fiscal 2001, as a result of the acquisition of Transfusion Technologies amounted to $4.2 million which included $2.8 million in bonuses paid to key Transfusion executives hired by Haemonetics and severance to employees laid off due to overlaps created by the merger, a $0.5 million write off of an investment in a technology which Haemonetics decided not to pursue in lieu of the technologies acquired in the merger, and the adjustment required to modify the 19.8% investment of Transfusion by Haemonetics in November of fiscal year 2000 from the cost method to the equity method of accounting as required by generally accepted accounting principles. To effect this change, the historic cost of the 19.8% investment made by Haemonetics' was written down by its 19.8% share of the monthly losses incurred by Transfusion Technologies from November of fiscal 2000 through the date of acquisition of the remaining 80.2%. For fiscal year 2001, the charge to the statement of operations related to this equity adjustment was $0.9 for the three months ended September 30, 2000.

Operating Income

Operating income, as a percentage of net revenues, increased to 16.1% from (20.4%) in 2000. At constant currency, operating income increased $27.6 million and increased 36.7 percentage points as a percent of sales from (21.4%) in 2000. The $27.6 million increase in operating income resulted largely from the $22.8 million in combined IPR&D and other unusual charges incurred as a result of the Company's acquisition of Transfusion Technologies in the prior year. Exclusive of these charges, operating income at constant currency increased $4.8 million and increased 4.4 percentage points as a percentage of sales to 15.3% from 10.9% as a result of the $7.7 million of constant currency improvement in gross profit offset by increases in research and development and selling, general and administrative expenses.

Other Income, Net

Interest expense in 2001 was relatively flat as compared to 2000. Because 93% of the Company's long term debt is at fixed rates, the Company has not benefited from the falling interest rates in the marketplace. Interest income was also relatively unchanged year over year. Other income net decreased $0.1 million due to a decline in income earned from points on forward contracts, which was offset by the reduction of amortization expense as a result of the Company's adoption of Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"), "Goodwill and Other Intangible Assets," effective April 1, 2001 which required that the Company cease amortization of goodwill.

Taxes

The provision for income taxes, as a percentage of pretax income, was 28.0% for the three months ended September 29, 2001 and 29.4% for the three months ended September 30, 2000. The decrease in the effective tax rate from 2000 to 2001 was primarily attributable to the cost to equity adjustment of $0.9 million during the three months ended September 30, 2000. (See note 10 to the unaudited consolidated financial statements).

Six Months Ended September 29, 2001 Compared to Six Months Ended September 30, 2000

	Percentage of Net Revenues Six Months Ended		Percentage Increase/(Decrease) Six Months Ended (in actual dollars)
	Sept. 29, 2001	Sept. 30, 2000	2001/2000
Net revenues	100.0%	100.0%	10.8%
Cost of goods sold	51.4	52.6	8.1
Gross Profit	48.6	47.4	13.8
Operating Expenses:			
Research and development	6.2	6.0	16.2
Selling, general and administrative	28.0	29.6	4.7
In process research and development		13.2	(100.0)
Other unusual charges relating to acquisition	--	3.3	(100.0)
Total operating expenses	34.2	52.1	(27.1)
Operating income	14.4	(4.7)	(438.4)
Interest expense	(1.3)	(1.3)	5.0
Interest income	1.4	1.6	(5.7)
Other income, net	1.1	1.2	4.7
Income before provision for income taxes	15.6	(3.2)	(636.2)
Provision for income taxes	4.4	3.1	57.7
Income (loss) before cumulative effect of change in accounting	11.2	(6.3)	(297.8)
Cumulative effect of change in accounting principle, net of tax	1.5		100.0
Net income (loss)	12.7%	(6.3%)	(323.7)%

By geography:	2001	2000	Percent Increase/(Decrease) Actual dollars as reported	At constant currency
United States	$ 58,780	$ 45,190	30.1%	30.1%
International	97,725	96,018	1.8	3.7
Net revenues	$156,505	$141,208	10.8%	12.2%

By product type	2001	2000	Percent Increase/(Decrease) Actual dollars as reported	At constant currency
United States	$142.703	$126,905	12.4%	13.2%
International	6,875	8,633	(20.4)	(14.2)
Net revenues	$156,505	$142,208	10.8%	12.2%

Disposable revenue By product line	2001	2000	Percent Increase/(Decrease) Actual dollars as reported	At constant currency
Surgical	$ 32,169	$ 29,056	12.7%	13.3%
Blood bank	50,347	51,844	(2.9)	(2.6)
Red cells	4,941	3,528	40.0	48.5
Plasma	55,246	42,477	30.1	29.7
Disposable revenues	$142,703	$126,905	12.4%	13.2%

Six Months Ended September 29, 2001 Compared to Six Months Ended September 30, 2000

Net Revenues

Net revenues in 2001 increased 10.8% to $156.5 million from $141.2 million in 2000. With currency rates held constant, net revenues increased 12.2% from 2000 to 2001.

Disposable sales increased 12.4% year over year at actual rates. With currency rates held constant, disposable sales increased 13.2%. Year over year constant currency disposable sales growth was a result of disposable growth in worldwide Red Cells (up 48.5%), worldwide Surgical (up 13.3%) and worldwide Plasma (up 29.7%). The increase in worldwide red cell sales is primarily attributable to volume increases in the U.S. market as the rollout of this new technology continues to gain strength. The growth in the worldwide surgical disposable sales is mainly attributed to volume increase in the U.S. and Europe with the success of the Company's newly acquired OrthoPAT(R) into the orthopedic market and the strengthening demand for autotransfusion due to increasing number of blood shortages. Worldwide, the OrthoPAT(R) accounted for 9.1 % of the constant currency growth in Surgical disposable sales. The growth in worldwide Plasma disposables sales is mainly attributed to volume increases of products sold in the U.S. due to an upturn in plasma collections as demand for plasma outpaces supply. In addition, of the 29.7% constant currency plasma growth, approximately 3.4% of it was due to the sale of collection bottles related to the Company's acquisition of the plasma container business in the fourth quarter of last year. Offsetting these increases in Surgical, Red Cell and Plasma disposable sales were decreases in Platelets disposable sales in Europe, Japan and in the U.S. Platelet disposable sales have decreased as the double collection protocol has become more prevalent in the market.

Constant currency sales of disposable products, excluding service and other miscellaneous revenue, accounted for 91.1% and 90.3% of net revenues for 2001 and 2000, respectively.

Service revenue generated from equipment repairs performed under preventive maintenance contracts or emergency service billings and miscellaneous revenues accounted for 4.5% and 4.0% of the Company's net revenues, at constant currency, for 2001 and 2000, respectively.

Equipment revenues increased 22.2% from $5.7 million in 2000 at actual rates and increased 26.9% year over year with currency rates held constant. The 26.9% constant currency increase was a result of increased equipment revenues primarily in the U.S. and in Europe. The increase is attributable to sales of platelet and plasma machines internationally and to sales of the new ACP technology domestically.

International sales as reported accounted for 62.5% and 68.0% of net revenues for 2001 and 2000, respectively. As in the U.S., sales outside the U.S. are susceptible to risks and uncertainties from regulatory changes, the Company's ability to forecast product demand and market acceptance of the Company's products, changes in economic conditions, the impact of competitive products and pricing, changes in health care policy and the events of September 11, 2001 and their aftermath.

Gross profit

Gross profit of $76.1 million for the six months ended September 29, 2001 increased $9.2 million or 1.2% as a percent of sales from $66.9 million for the six months ended September 30, 2000. At constant currency, gross profit as a percent of sales increased by 1.6% and increased in dollars by $10.5 million or 15.9% from 2000 to 2001. The $10.5 million constant dollar gross profit increase from 2000 was primarily a result of higher sales and efficiency gains due to higher manufacturing volumes and cost reductions.

For the six months ending September 29, 2001, the CORE program has contributed approximately $1.3 million of cost savings benefiting the Company's gross profit. The estimated savings for the full twelve months of fiscal year 2002 is expected from initiatives to lower product costs by automating and redesigning the way certain products are made so that less material and labor is needed and by negotiating lower material prices with vendors. These savings are expected to be partially offset by increases in other product costs.

Expenses

The Company expended $9.8 million (6.2% of net revenues) on research and development in 2001 and $8.4 million (6.0% of net revenues) in 2000. At constant currency rates, research and development as a percent of sales increased by 0.3% and increased in dollars by $1.5 million from 2000 to 2001. The increase in research and development was a result of the Company's objective to reinvest available funds into new product development.

Selling, general and administrative expenses increased $2.0 million from $42.0 million in 2000 to approximately $44.0 million in 2001. At constant currency, selling, general and administrative expenses increased $4.0 million from 2000 yet decreased 0.6% as a percent of sales from 2000 to 2001. Higher sales and increased spending behind the Company's new product selling and marketing activities contributed to the increase in selling, general and administrative dollars spent and to the decrease as a percentage of sales. The CORE Program is not expected to have a notable impact in savings on selling, general and administrative expenses during the current year as most savings are expected in cost of goods sold.

In Process Research and Development (IPR&D) and Other Unusual charges Relating to the Acquisition

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

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

b) Other Unusual Charges Relating to the Acquisition

Included in other unusual charges is the adjustment required to modify the 19.8% investment of Transfusion Technologies by Haemonetics in November of fiscal year 2000 from the cost method to the equity method of accounting as required by generally accepted accounting principles. To effect this change, the Company recorded its 19.8% share of the monthly losses incurred by Transfusion Technologies from November of fiscal year 2000 through the date of acquisition of the remaining 80.2%. In 2000, the charge to the statement of operations related to this cost to equity adjustment was $1.3 million for the six months ended September 30, 2000.

Operating Income

Operating income, as a percentage of net revenues, increased to 14.4% from (4.7%) in 2000. At constant currency, operating income increased $28.2 million and increased 18.3 percentage points as a percent of sales from an operating loss of (4.9%) in 2000. The $28.2 million increase in operating income resulted largely from the $23.2 million in combined IPR&D and other unusual charges incurred as a result of the Company's acquisition of Transfusion Technologies in the prior year. Exclusive of these charges, operating income at constant currency increased $4.9 million and increased 1.8 percentage points to 13.4% from 11.6% as a result of the $10.5 million of constant currency improvement in gross profit offset by increases in research and development and selling, general and administrative expenses.

Foreign Exchange

The Company generates approximately 63% of its revenues outside the U.S. in foreign currencies. As such, the Company uses a combination of business and financial tools comprised of various natural hedges, (offsetting exposures from local production costs and operating expenses), and forward contracts to hedge its balance sheet and P&L exposures. Hedging through the use of forward contracts does not eliminate the volatility of foreign exchange rates, but because the Company generally enters into forward contracts one year out, rates are fixed for a one year period, thereby facilitating financial planning and resource allocation.

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

For fiscal year 2001 and 2002, the indexed hedge rates were 9.1% more favorable and 2.0% less favorable than the respective prior years. For the first and second quarters of fiscal 2002, the indexed hedge spot rates appreciated 5.2% and 3.3%, respectively and for the first and second quarters of fiscal 2003, the indexed hedge spot rates depreciated 8.9% and 10.3%, respectively over the corresponding quarters of the preceding years. These indexed hedge rates represent the change in spot value (value on the day the hedge contract is undertaken) of the

Haemonetics specific hedge rate index. These indexed hedge rates impact sales in the Company's financial statements.

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

		Composite Index Hedge Spot Rates	Favorable/(Unfavorable) Change vs Prior Year
FY1999	Q1	0.98	(9.4%)
	Q2	1.06	(13.4%)
	Q3	1.03	(5.9%)
	Q4	1.05	(7.4%)
1999 Total		1.03	(9.1%)
FY2000	Q1	1.10	(10.8%)
	Q2	1.09	(2.8%)
	Q3	1.04	(0.6%)
	Q4	1.07	(1.0%)
2000 Total		1.07	(3.9%)
FY2001	Q1	1.04	5.4%
	Q2	1.00	8.2%
	Q3	0.92	12.9%
	Q4	0.97	10.2%
2001 Total		0.98	9.1%
FY2002	Q1	0.99	5.2%
	Q2	0.97	3.3%
	Q3	1.01	(8.6%)
	Q4	1.05	(7.5%)
2002 Total		1.00	(2.0%)
FY2003	Q1	1.09	(8.9%)
	Q2	1.08	(10.3%)

Other Income, Net

Interest expense for the six months ended September 29, 2001 was relatively flat as compared to 2000. Because 93% of the Company's long term debt is at fixed rates the Company has not benefited from the falling interest rates in the marketplace. Interest income was also relatively flat from 2000 to 2001. Other income net increased $0.2 million due to a decline in income earned from points on forward contracts, which was offset by the reduction of amortization expense as a result of the Company's adoption of Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"), "Goodwill and Other Intangible Assets," effective April 1, 2001 which required that the Company cease amortization of goodwill.

~~Taxes~~

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

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

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

~~LIQUIDITY AND CAPITAL RESOURCES~~

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

~~During the six months ended September 29, 2001, the Company increased its cash balances, before the effect of exchange rates, by $16.1 million from operating, investing and financing activities which represents an increase in cash generated of $15.6 million from the $0.5 million generated in the Company's operating, investing and financing activities during the six months ended September 30, 2000. The $15.6 million of additional cash generated results from the additional $39.2 million provided by the Company's financing activities in 2001 offset by the $23.6 of additional cash utilized by the Company's operating and investing activities.~~

~~Operating Activities:~~

~~The Company generated $16.0 million in cash from operating activities during the six months ended September 29, 2001 as compared to $24.7 million generated during the six months ended September 30, 2000. The $8.7 million decrease in operating cash flow from fiscal year 2001 to fiscal year 2002 was a result of a $14.3 million increase in inventories due to higher finished goods equipment and raw material inventory levels, a $5.2 million increase in accounts receivable resulting from higher sales as compared to a year ago and $0.7 million lower relative reductions in current sales type leases as part of the continuing trend of customer preference for, and the Company's policy of, moving toward placing on loan Company owned equipment versus selling it under sales-type leases. These additional uses of cash were offset by additional sources of cash including $3.1 million from net income adjusted for depreciation, amortization and other non cash items, $1.4 million from changes in other assets and prepaid income taxes, a $7.0 million increase in accounts payable and accrued expenses partially due to higher than normal reductions in accounts payable during the six months ended September 29, 2000 related to treasury stock repurchases.~~

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

~~As measured by the Company's operating cash flow metric, the Company generated $13.3 million and $25.5 million of operating cash during the six months ended September 29, 2001 and September 30, 2000, respectively. The $13.3 million of operating cash flow generated for the six months ended September 29, 2001 resulted from $19.5 million of net income adjusted for non cash items and $8.0 million from the reduction of the Company's net investment in property, plant and equipment and sales type leases offset by $14.2 million from increased working capital investment, primarily due to higher inventories, higher accounts receivable and lower accrued payables and payroll. The $25.5 million of operating cash generated for the six months ended September 30, 2000 excluded the $26.6 of cash spent to acquire Transfusion Technologies. The $25.5 of operating cash flow resulted from $14.3 million of net income adjusted for non cash items, $9.2 million from the reduction of the Company's net investment in property plant and equipment and sales type leases, and from a $2.0 million lower working capital investment, due mainly to lower inventories. The working capital and capital investment components of the Company's operating cash flow metric have been adjusted by non cash transfers (from inventory to property, plant and equipment) which amounted to approximately $2.8 million and $3.1 million during the six month periods for 2001and 2000, respectively.~~

~~Investing Activities~~

~~The Company utilized $21.6 million in cash for investing activities during the six months ended September 29, 2001, an increase of $14.9 million from the same period a year ago. The increased utilization of cash is largely due to the Company's significant increase in the amount of cash it invested into higher yielding available for sale securities. Offsetting this increased investment, was the change in year over year investing cash flows for the Company's acquisition of Transfusion Technologies utilizing $26.6 million of cash in 2000.~~

~~Financing Activities:~~

~~During the six months ended September 29, 2001, the Company generated $39.2 million more cash from its financing activities than during the six months ended September 30, 2000 due to a $26.5 million increase in short-term credit agreements in 2001 as compared to 2000, a $7.7 million increase in cash from stock option exercises in 2001 and $4.7 million in cash savings as a result of the Company's decision not to purchase any treasury shares during the six months ended September 29, 2001. The $26.5 million increase in short term credit agreements in 2001 as compared to 2000 was due largely to additional borrowings of $10.6 million in Japan in 2001 and $15.0 million in debt reductions in 2000 as the Company paid both the remaining $8.0 million balance on its Braintree Headquarter real estate mortgage and $7.0 million in Japanese short term debt.~~

~~At September 29, 2001, the Company had working capital of $170.3 million. This reflects an increase of $62.6 million in working capital from the six months ended September 30, 2000.~~

~~Inflation~~

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

~~Cautionary Statement Regarding Forward Looking Information~~

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

~~QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK~~

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

~~Foreign exchange risk~~

~~Approximately 63% of the Company's revenues are generated outside the U.S., yet the Company's reporting currency is the U.S. dollar. Foreign exchange risk arises because the Company engages in business in foreign countries in local currency. Exposure is partially mitigated by producing and sourcing product in local currency. Accordingly, whenever the U.S. dollar strengthens relative to the other major currencies, there is an adverse affect on the Company's results of operations and alternatively, whenever the U.S. dollar weakens relative to the other major currencies, there is a positive effect on the Company's results of operations.~~

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

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

Hedged Currency	(BUY)/SELL Local Currency	Weighted Forward Contract Rate	US$ @ Current Fwd.	Unrealized Gain/(Loss)	Discounted Unrealized Gain/(Loss)	Maturity
Euro	5,150,000	$0.860	4,745,557	($314,562)	(306,435)	Oct-Dec 2001
Euro	8,000,000	$0.942	7,353,850	$183,400	176,064	Jan-Mar 2002
Euro	7,550,000	$0.857	6,924,896	($453,271)	(428,140)	Apr-Jun 2002
Euro	7,350,000	$0.890	6,730,244	($189,179)	(177,771)	Jul-Sept 2002
Japanese Yen	1,350,000,000	117.7 per US$	11,009,544	$459,978	448,089	Oct-Dec 2001
Japanese Yen	1,600,000,000	117.1 per US$	13,159,703	$505,337	485,370	Jan-Mar 2002
Japanese Yen	1,850,000,000	116.4 per US$	15,371,533	$521,414	492,654	Apr-Jun 2002
Japanese Yen	1,825,000,000	115.6 per US$	15,586,309	$198,166	186,217	Jul-Sept 2002
		Total:	80,881,635	911,285	876,046	

~~The Company estimated the change in the fair value of all forward contracts assuming both a 10% strengthening and weakening of the U.S. dollar relative to all other major currencies. In the event of a 10% strengthening of the U.S. dollar, the change in fair value of all forward contracts would result in a $9.2 million unrealized gain; whereas a 10% weakening of the U.S. dollar would result in a $10.4 million unrealized loss.~~

~~Interest Rate Risk~~

~~Approximately 93%, of the Company's long term debt is at fixed rates. Accordingly, a change in interest rates has an insignificant effect on the Company's interest expense amounts. The fair value of the Company's long term debt, however, would change in response to interest rates movements due to its fixed rate nature. At September 29, 2001, the fair value of the Company's long term debt was approximately $4.1 million higher than the value of the debt reflected on the Company's financial statements. This higher fair market is primarily related to the $40.0 million, 7.05% fixed rate senior notes the Company holds. These notes collectively represent approximately 72% of the Company's outstanding long term borrowings at September 29, 2001. At September 30, 2000, the fair value of the Company's long term debt was approximately $1.1 million higher than the value of the debt reflected on the Company's consolidated financial statements.~~

~~Using scenario analysis, the Company changed the interest rate on all long term maturities by 10% from the rate levels, which existed at September 29, 2001. The effect was a change in the fair value of the Company's long term debt, of approximately $1.1 million.~~

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

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

On July 24, 2001, the Company held its annual meeting of stockholders. At the meeting, Dr. Yutaka Sakurada, Donna C. E. Williamson, and Dr. Harvey Klein were re-elected as Directors for terms ending in 2004. The voting results were as follows:

Dr. Yutaka Sakurada	For 22,483,792	Withheld 1,723,731
Donna C. E. Williamson	For 24,199,524	Withheld 7,999
Dr. Harvey Klein	For 24,199,524	Withheld 7,999

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

Serving a Term Ending in 2002 - James L. Peterson and Benjamin L. Holmes.

Serving a Term Ending in 2003 - Sir Stuart Burgess; Ronald G. Gelbman and N. Colin Lind

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

For 24,186,466 Against 16,002 Abstain 5,055

Item 5. Other Information

None

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

None

SIGNATURES

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

HAEMONETICS CORPORATION

Date: November 6, 2001 By: /s/ James L. Peterson

James L. Peterson, President and Chief Executive Officer

Date: November 6, 2001 By: /s/ Ronald J. Ryan

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