

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 28, 1998. Commission file number 1-10730

Haemonetics Corporation
(Exact name of registrant as specified in its charter)

Massachusetts 04-2882273
(State of Incorporation) (I.R.S. Employer
Identification No.)

400 Wood Road,
Braintree, Massachusetts 02184-9114
(617) 848-7100
(Address, including zip code, and telephone number,
including area code, of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class -----	Name of each exchange on which registered -----
Common stock, \$.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K. [x]

The aggregate market value of the voting stock held by non-affiliates of the registrant based on the closing sale price of May 28, 1998, was approximately \$383,000,000.

The number of shares of the registrant's common stock, \$.01 par value, outstanding as of May 28, 1998 was 26,584,679.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the definitive Proxy Statement for the Registrant's Annual Meeting to be held July 22, 1998.

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ITEM 1. BUSINESS

(a) New Developments in the Business.

Regulatory Developments

In April 1997, Haemonetics (the "Company") received marketing clearance from the FDA to market its proprietary two-unit red blood cell collection protocol for homologous (typically volunteer) donors. This followed the clearance given in April 1996 to market the two-unit red cell collection protocol for patients donating blood for their own surgical use and the clearance given in October 1995 to market the one-unit red cell and two-unit plasma protocol for the entire donor population. These protocols allow blood centers to replace labor-intensive manual collection methods for red blood cells with highly efficient automated apheresis systems while producing a more consistent red blood cell transfusion unit. Haemonetics is the first to provide its customers with the ability to collect two transfusable units of red blood cells from a single donor. Two-unit red cell collection saves blood banks precious dollars and labor in testing, labeling, handling and distribution requirements.

The ability to collect red cells is a significant opportunity for the Company. The yearly market potential for two-unit red blood cell collection alone is approximately \$500 million. However, it has not been a small undertaking to see this technology into the marketplace as it has been five years since the Company's first submission to the FDA for marketing clearance for a red cell protocol. Now that the Company has received approval to market the two-unit red blood cell protocol, the U.S. blood centers desiring to use the two-unit red cell technology must receive approvals from the FDA both to license their centers to use the technology and to collect and ship products obtained through this technology across state lines to other communities. During the year, Kansas Blood Services in Topeka, Kansas was the first blood bank in the United States to receive approval from the FDA to collect two-units of red blood cells and for that blood to be shipped across state borders for use by other communities. In addition, the international markets for red cells continued to move forward with their red cell approvals. During the year, the French regulatory authority approved the use of the filtered two-unit red cell protocol for patients donating blood for their own surgical use and the German regulatory authority approved the filtered two-unit red cell protocol for the homologous (typically volunteer) donor.

New Business Developments

Restructuring Charge in Q3

The Company recorded a charge of \$24.5 million related to the restructuring plans announced by the Company during the third quarter of fiscal 1998. From a manufacturing perspective, the Company made a decision not to undertake certain rework and to terminate the manufacture of certain products. Additionally, certain products, which would have required additional investments to continue their useful lives, will no longer be supported. The Company has also identified certain operations, which it intends to close or partially close, resulting in losses associated with the abandonment of certain leases and fixed assets, and the termination of certain employees.

New Management

On January 27, 1998, at the request the Board of Directors, John F. White stepped down as Chairman and Chief Executive Officer of Haemonetics Corporation. Sir Stuart Burgess, a Board member of Haemonetics since 1992, replaced Mr. White as Chairman of the Board. James L. Peterson, formerly Vice Chairman and President of Haemonetics International was elected CEO and President. Mr. Peterson has been with the Company 18 years.

Additional key management changes during the year included the appointment of Ronald Ryan, former Chief Financial Officer and Senior Vice President of Finance and Administration, Converse Inc., to Senior Vice President and Chief Financial Officer; the appointment of Michael Mathews, who has been with the Company since 1987, to President of the worldwide Blood Bank division; the appointment of Dr. Peter Tomasulo, who held senior positions in community blood banking and with the American and International Red Cross, to the Vice President in charge of Blood Bank Management Services, ("BBMS"); and the promotion of Bruno Deglaire to President of European and Asian Field Operations.

New Direction

With the changes in management, came key changes in the direction of the business.

Exit BBMS

On May 1, 1998, the Board of Directors approved a plan to discontinue the Company's Blood Bank Management Services Business, citing the objectives of bringing the Company's focus back to its core competence as a manufacturer of medical device equipment and disposables and expanding the available market by no longer competing with its other customers. BBMS represented an extension into the blood services business, whereby the Company managed blood banks owned and operated by it. The Company had key

successes in the BBMS business. Through the use of its apheresis products at its BBMS blood centers, the Company was successful in 1) demonstrating the ability to meet hospital's total blood product requirements, 2) improving the donor recruiting process and 3) increasing the supply of high-quality blood components to the communities served. In spite of the successes, the financial performance of BBMS was below the Company's original expectations and future improvement was not assured. The divestiture plan is underway as management has begun to seek potential buyers for the various blood centers within their local communities. (See Note 12 to the Consolidated Financial Statements included herein for a further discussion of the discontinuance.)

Reinvigorate Research and Development Efforts

The Company is committed to reorganizing and expanding resources to get more new products to the market faster, especially related to red cell products.

Re-engineering Manufacturing and Logistics Processes

The Company has undertaken a program of reengineering its manufacturing and logistics processes to achieve a low cost advantage in the industry.

Move to selling direct in the U. S. cardiovascular market

The Company is planning to end its long time distributor relationship with Bentley Laboratories, a division of Baxter International, Inc., as its distributor and utilize its existing surgical sales force to sell its Cell Saver[registered trademark] and related disposables directly to the U.S. cardiovascular market.

(b) General Development of the Business.

Haemonetics Corporation was incorporated in Massachusetts in 1985. The terms "Haemonetics" and the "Company" as used herein include its subsidiaries and its predecessor where the context so requires.

Haemonetics was founded in 1971 and became a publicly owned company for the first time in 1979. In August 1983, Haemonetics was acquired by American Hospital Supply Corporation ("AHS"). In connection with the acquisition of AHS by Baxter Travenol Laboratories, Inc. in 1985, Baxter Travenol divested Haemonetics to address antitrust concerns related to the acquisition. Haemonetics was purchased in December 1985 by investors that included the Company's present executive officer James L. Peterson, E. I. du Pont de Nemours and Company ("Du Pont"), and other present and former employees of the Company. In May 1991, the Company completed an Initial Public Offering, at which time Du Pont divested its entire interest in the Company.

Haemonetics is engaged in the manufacture of both automated systems for the collection, processing and surgical salvage of blood and until the completion of the planned divestiture of BBMS, in the manufacture of blood components through its service business. Since the development of its first proprietary cell washing system in 1971, the Company has pioneered a family of innovative systems and technologies for blood processing. The Company's business is focused on surgical blood salvage, blood component therapy, automated red cell and plasma collection. Haemonetics' blood processing systems consist of proprietary disposable sets driven by specialized equipment. The Company's equipment employs over 100 different sterile, single-use disposable products. The Company markets its products to hospitals, independent blood banks, commercial plasma fractionators and national health organizations in over 50 countries.

(c) Financial Information about Industry Segments.

The Company reports the results of its operations for only one industry segment.

(d) Narrative Description of Business.

Background

All of the Company's products involve the extracorporeal processing of human blood. Each person has approximately 10 units of blood (1 unit = one pint), which consists of both cellular and liquid portions. The cellular portion, which constitutes approximately 45% of the body's blood by volume, is composed of red blood cells, white blood cells and platelets. All of these are derived from stem cells which originate in the bone marrow. The liquid portion, which constitutes the remaining 55% of blood volume, is composed of plasma and soluble blood proteins.

The practice of modern medicine relies on the availability of a safe and adequate blood supply and the ability to treat a deficiency in one or more of the above components. These deficiencies can be related to hereditary disorders (e.g., hemophilia), serious injury or major surgery (e.g., open heart surgery).

Traditionally, a deficiency in any one of the components of blood has been addressed by the transfusion of whole blood or blood components from one or more third-party donors ("homologous blood transfusion"). These transfusions have major drawbacks. First, homologous blood transfusions carry the risk of transfusion reactions ranging from mild allergic responses to life-threatening red cell incompatibility. Second, while the vast majority of units of blood in the United States and other developed countries are tested for transfusion-related diseases such as AIDS, hepatitis and cytomegalovirus, such screening tests are not completely comprehensive and the evidence of disease contamination in the blood supply is well documented. This risk is multiplied when using blood collected from

multiple donors.

As a result of the above risks and limitations of traditional transfusion treatment, three important trends have emerged in blood transfusion therapy and practice: increasing acceptance of autologous blood transfusion which involves the reinfusion of a patient's own blood; increasing use of techniques and systems that reduce the number of donors to which patients are exposed in the course of therapies involving donor blood or blood components; and increasing prevalence of blood component therapy which involves the administration of only those blood components needed by the patient.

Markets and Products

Haemonetics' products address four important therapeutic markets for blood and blood components: surgical blood salvage, blood component therapy, automated red cell and plasma collection.

Surgical Blood Salvage

Surgical blood salvage, also known as autologous blood transfusion, involves the rapid and safe collection of a patient's own blood before, during and after surgery for reinfusion to the same patient. This process normally includes an additional washing procedure whereby unwanted substances are removed from the blood prior to reinfusion.

Autologous blood transfusion reduces or eliminates a patient's dependence on blood donated from others, which carries the risk of transmission of diseases, such as AIDS and hepatitis, as well as potentially severe transfusion reactions. The decision to transfuse a unit of homologous blood involves weighing the potential therapeutic benefits of such transfusion against the risks of the transfusion itself. The Company believes there is increasing recognition within the medical community that blood transfusions should be autologous wherever possible to avoid the risks associated with homologous blood transfusion. Moreover, patients are becoming increasingly aware of the availability and advantages of autologous blood transfusions. Ongoing shortages of blood and blood components reinforce the benefits of this approach.

The need for a blood transfusion during surgery is common with open heart, trauma, transplant, vascular and orthopedic operations.

Haemonetics, which pioneered the first autologous blood transfusion system, has developed a full line of products to address the needs of the surgical blood salvage market. The core product line, the Cell Saver[®] autologous blood recovery system, reduces the patient's dependence on homologous red cell transfusions and leads to more rapid delivery of higher quality, compatible blood to the surgical patient intra- and post-operatively. An extension of this product line is the HaemoLite[®] autologous blood recovery system, an automated portable system which requires limited operator monitoring and is designed for lower blood loss procedures. The Collectfirst[®] autologous blood collection system allows continual collection, filtration and reinfusion of salvaged blood. This system offers versatility to the physician through its ability to be used either for direct reinfusion or with the Cell Saver[®] system for washing of the collected red blood cells.

The Company markets its surgical blood salvage products to hospital-based medical specialists, primarily cardiovascular, orthopedic and trauma surgeons.

Blood Component Therapy

Blood component therapy involves the treatment of patients using specific blood components, such as platelets, red blood cells, peripheral blood stem cells or white blood cells, as opposed to whole blood. Blood component therapy applications are increasing and have become integral to the treatment of a wide variety of cancers, blood disorders and conditions involving hemorrhaging. Platelet therapy is most often used to alleviate the side effects of bone marrow suppression, a condition in which bone marrow is unable to produce a sufficient quantity of platelets. Bone marrow suppression arises from a number of causes, including infection, but most typically as a side effect of chemotherapy. The demand for platelets is growing in conjunction with increasingly aggressive cancer therapies.

Traditionally, platelets for therapeutic use have been derived from the manual separation of platelets from blood obtained through whole blood donations. However, platelets constitute a very small portion of an individual's total blood volume. Hence, a single unit of whole blood contains only one-sixth to one-eighth the quantity of platelets required for a therapeutically useful dosage. As a result, the medical community has had to rely on platelet pooling (the merging of platelets from multiple donors) to obtain a volume of platelets sufficient for therapeutic treatment, thus amplifying the risk of transmission of blood-borne disease or adverse reaction.

The Company addresses these drawbacks of platelet therapy with its apheresis systems such as the Haemonetics MCS[®] mobile collection system. The apheresis process permits the collection of therapeutically useful quantities of components such as platelets from a single donor. The end product of platelet apheresis is referred to as single donor platelets (as opposed to pooled or random donor platelets traditionally available from blood banks or hospital centers). Apheresis technology conserves the donor pool since donors can donate non-red cell blood components more often than whole blood. Whole blood donors are restricted in their ability to donate by regulatory agencies to eight week intervals, whereas apheresis donors may donate as often as twice a week. In

addition, apheresis systems offer a purer and safer product to the recipient because of the significant reduction in the number of donors to which the recipient is exposed.

The Company markets its automated apheresis systems to hematologists, oncologists and blood bankers.

Plasma Collection

Many important therapeutic and diagnostic products are derived from the collection and subsequent processing of plasma. Therapeutic products derived from plasma include albumin and plasma protein fractions, which are used primarily as volume expanders for burn and shock victims; gamma globulins, which are used for the prevention of diseases such as tetanus, rabies, measles, etc.; coagulation specific concentrate products such as Factor VIII and other derivatives such as hepatitis vaccine. Several companies have developed and applied for U.S. Food and Drug Administration ("FDA") approval to market non-plasma derived recombinant Factor VIII products. While such products may reduce demand for plasma derived Factor VIII, the Company believes they should have minimal effect on the demand for other plasma products such as albumin and gamma globulin. Diagnostic products derived from source plasma include blood grouping sera, test kit controls and quality control reagents.

Traditionally, plasma has been collected by manual techniques as part of whole blood collection. As in the case of manual blood component collection, manual techniques for collection of plasma have had poor product yields and are very time consuming.

In the United States, commercial operators account for approximately 95% of plasma collection, with the remainder collected from volunteer donors of other blood bank organizations. Outside of the United States, plasma is collected primarily from volunteer donors.

Commercial plasma collection firms in the United States pay donors for their plasma and then fractionate the collected plasma themselves and sell the resultant protein products or sell the collected plasma worldwide for fractionation purposes. Outside the United States, virtually every industrialized nation has expressed the desire to increase their access to the plasma market worldwide due to the ever growing need for the plasma-based therapeutic products and their desire to improve the quality of their country's blood products. The increased appeal of more efficient, user-friendly automated systems is leading to conversion from manual to automated plasma collection techniques.

The Haemonetics automated plasma collection systems, PCS[registered trademark] and PCS[registered trademark]2, shorten the collection procedure to approximately forty minutes from ninety minutes required for manual collection. Donor safety is also increased as the donor is never separated from his or her own blood, eliminating the risk that exists in manual collection of having the wrong red cells returned to the donor. The PCS[registered trademark] and PCS[registered trademark]2 systems also yield a higher quality plasma than manual methods, since a smaller amount of anticoagulant is needed and the donor is not given any intravenous fluids to dilute his or her native plasma.

Haemonetics has aggressively pursued the conversion of commercial plasma collection firms from manual methods to the Company's automated PCS[registered trademark] systems. Under contracts with Alpha Therapeutics and Bayer, the Company has agreed to install and service its PCS[registered trademark] and PCS[registered trademark]2 systems free of charge to certain plasma collection centers operated by these parties. These fractionators, in turn, have agreed to purchase certain minimum numbers of processing chambers from Haemonetics.

Plasma collection from volunteer donors is undergoing dramatic changes due to greater focus on the quality, safety and cost of plasma-based therapeutic products. The Company has been the primary supplier of automated plasma collection systems to the national blood collection programs of Japan, France, Sweden, Canada and the United Kingdom. The Company is also in the early stages of developing a plasma program in China. Haemonetics is one of two approved vendors in China.

Automated Red Cell Collection

Red blood cell transfusions are performed to restore the oxygen-carrying capacity of the blood in situations involving hemorrhaging, such as surgery and trauma and other blood disorders.

Traditionally, red blood cells have been derived from the manual separation of red blood cells obtained through whole blood donations. However, this process involves time consuming secondary handling and processing. It also produces a red cell transfusion product of variable therapeutic content due to variations found in donor characteristics and the whole blood donation process.

Haemonetics has extended its MCS[registered trademark]+ system product line to offer systems for the apheresis collection of red blood cells. The Company's red blood cell apheresis systems automate the manual red blood cell collection process, producing a more consistent red cell transfusion unit and eliminating the lengthy secondary handling and processing steps. In addition, by collecting red blood cells in multiple units or together with other apheresis products such as plasma, the blood center can meet its collection requirements more efficiently and make better use of a shrinking donor base.

Revenue Detail

In the year ended March 28, 1998, sales of disposable products accounted for approximately 89% of net revenues. Sales of disposable products by the Company were 3.6% lower in 1998 than in 1997 (6.0% higher in 1998 than in 1997 without the effects of currency) and grew at a compound average annual growth rate of 4% for the three years ended March 28, 1998. Service revenues, which are included as part of disposables revenues, accounted for approximately .6% of the Company's net revenues during the year ended March 28, 1998.

Sales of equipment accounted for approximately 11% of net revenues in fiscal 1998 and approximately 13% in fiscal 1997. Variations in the level of the Company's sales of equipment are likely to occur from year to year and quarter to quarter. These variations reflect the buying cycles of the Company's customers and, in particular, the level of equipment purchases by the national blood organizations in Europe, Japan and other countries that are implementing programs for national self-sufficiency in blood products with the use of the Company's products.

Marketing/Sales/Distribution

Haemonetics markets and sells its products to hospitals, independent blood banks, commercial plasma collection centers and national health organizations through its own direct sales force in North America, Western Europe and Japan. This sales force is composed of full-time sales representatives and clinical specialists based in the United States, United Kingdom, Germany, France, Sweden, The Netherlands, Denmark, Italy, Australia, Austria, Hong Kong, Canada, Japan, Switzerland, China and Belgium. These sales representatives and clinical specialists interact with physicians, surgeons and nurses to promote and sell Haemonetics' products and services, approximately 40% focusing on the surgical blood salvage market and the remainder on the combination of the Company's other markets. The clinical specialists assist the Company's sales force and customers through demonstrations and training.

Haemonetics distributes its disposable Cell Saver[registered trademark] products in North American cardiovascular hospitals primarily through the Bentley Laboratories division of Baxter International, Inc. ("Bentley"). In addition, Haemonetics distributes its Collectfirst[registered trademark] autologous blood collection system in the United States and Canada through DePuy Orthopedics. In addition, Haemonetics uses numerous distributors to market its products in South America, Eastern Europe, the Middle East and the Far East.

Haemonetics' field service engineers support its equipment sales through ongoing professional equipment service worldwide. The functional and safety features of the equipment are checked to ensure correct and reliable operation. All new equipment is covered by a 12-month warranty, during which all service needs are covered at no charge and all equipment receives a preventive maintenance check. After the initial warranty period, the Company provides service compensated under preventive maintenance contracts or through emergency service fees.

The field service engineer group is supported by a headquarters-based technical support engineering staff which also provides 24-hour phone support 365 days a year. Many hospital customers have their own staffs of biomedical engineers who rely on the Company's technical training and spare parts logistic systems.

The Company endeavors to minimize the time between the receipt of purchase orders and the date of delivery of products. Accordingly, the Company's backlog as of the end of any period represents only a portion of actual sales for the succeeding period.

Research and Development

The development of extracorporeal blood processing systems has required that Haemonetics develop technical expertise in mechanical engineering, electrical engineering, software engineering and biomedical engineering. The Company's mechanical engineers design pumps, valves, equipment packaging, centrifuge rotors and disposable plastic components (i.e., harness sets and processing chambers). The Company's electrical engineers design sensors (optical, ultrasonic, pressure, weight, speed), motors, control circuits, driver circuits, computers and display systems. The Company's software engineers create programs that use input data from sensors to control the actuation of mechanical components used to collect or manipulate the blood components. The biomedical engineers monitor products' biocompatibility and clinical performance and work with major raw materials and tooling vendors. Innovations resulting from these efforts will allow the Company to develop systems that are faster, smaller and more user-friendly or that incorporate additional features important to its customer base.

Haemonetics operates research and development centers in Switzerland, Japan and the United States, so that protocol variations are incorporated that closely match local customer requirements. For the past three fiscal years, the Company's expenditures for research and development were \$17.9 million, \$18.6 million and \$18.1 million, respectively. All research and development costs are expensed as incurred. The Company expects to continue to invest substantial resources in research and development.

Customer collaboration is an important part of Haemonetics' technical strength and competitive advantage. Since its inception, Haemonetics has built close working relationships with a significant number of blood processing professionals around the world. This network of experts provides Haemonetics with ideas for new products, ways to improve existing products, new applications and enhanced protocols. They also provide Haemonetics with test sites, objective evaluations and expert opinions regarding technical and performance issues.

Manufacturing

Disposables

Each individual blood collection procedure requires a disposable plastic set, which contains a medical-grade tubing harness, bags, filters and a processing chamber. Haemonetics molds many of its own components which it then assembles with manufactured and purchased tubing and sheeting to form the final products. The Company tests the materials for purity to determine that they are biocompatible and free of contamination. Assembly is accomplished in a clean room environment.

Production begins with injection molding, blow molding or extrusion of plastic parts. Molding tools are qualified to ensure specified tolerances and reproducibility. Each step of the subsequent manufacturing and assembly processes is qualified and validated. Critical process steps and materials are documented to ensure that every unit produced consistently meets performance requirements.

All processing chamber manufacture and most set assembly is done in the Company's Braintree, Pittsburgh, or Scotland facilities. All disposable blood processing products are sterilized for patient and donor protection and are tested in laboratories to confirm sterility. Some manufacturing of less proprietary components is performed for the Company by outside contractors. The Company also maintains two important relationships with Japanese manufacturers who provide finished sets in Singapore and Thailand. These sets are primarily used by Haemonetics' customers in Japan.

Equipment

Each Haemonetics blood processing machine is designed in-house and assembled from components that are either manufactured by the Company or manufactured by others to Company specifications. Many critical mechanical assemblies are machined and fabricated utilizing the Company's own process control procedures. The completed instruments are programmed, calibrated and tested to ensure compliance with the Company's engineering and quality assurance specifications. Throughout the manufacturing process, inspection checks are made to verify proper assembly and functionality. When mechanical and electronic components are sourced from outside vendors, detailed vendor qualification requirements are met and verified through focused incoming inspection programs. Approximately 99% of the Company's equipment, including all new systems, is manufactured by Haemonetics. The remainder is manufactured for the Company by an outside contractor.

Certain parts and components used in the Company's equipment and disposables are purchased from various single sources. If it became necessary to do so, the Company believes that, in most cases, alternative sources of supply could be developed over a relatively short period of time. Nevertheless, an interruption in supply could temporarily interfere with production schedules and affect the Company's results of operations.

All of the Company's equipment and disposable manufacturing sites are certified to the ISO 9000 standard and to the medical device directive allowing placement of the CE mark of conformity.

Competition

The markets for the Company's products are developing and are highly competitive. Although the Company competes directly with others, no one company competes with the Company across its full line of products. Haemonetics has established a record of innovation and leadership in each of the areas in which it competes.

Competition in the surgical blood salvage market, where the underlying technology among the major competitors is similar, is based upon reliability, ease of use, service, support and price. Haemonetics competes with Medtronic, Inc.; COBE Laboratories, Inc. ("COBE"), a subsidiary of Gambro AB; and Sorin Biomedica.

In the blood component therapy market, competition is based upon the ability of systems to achieve higher levels of performance as measured by the time and efficiency of component collection and the quality of the components collected. The Company's major competitors in this market are COBE and Baxter International, Inc. Each of these companies has taken a different technological approach than the Company in the design of systems for the component therapy market.

In the red cell market, the Company has pioneered automated collection. Currently the sole provider of automated systems for red cell collection, the Company competes with traditional methods of collecting and separating whole blood on the basis of total cost, process control, product quality, and inventory management.

In the area of plasma collection, the Company competes with Baxter International, Inc. on the basis of overall cost-effectiveness of equipment and disposables over the long term and on the quality, ease of use and technical features of their systems. The Company's automated systems also compete with manual collection systems, which are less expensive, but also slower, less efficient and clinically riskier.

The Company believes its technical staff is highly skilled, but many of its competitors have substantially greater financial resources and larger technical staffs at their disposal. There can be no assurance that such competitors will not direct substantial efforts and resources toward the development and marketing of products competitive with those of the Company.

The Company believes its ability to maintain its competitive advantage will continue to depend on a combination of market leadership, its

reputation, its patents, its unpatented proprietary know-how in several technological areas, the quality, safety and cost effectiveness of its products and the need to rigorously document clinical performance.

Seasonality

Net revenues have historically been higher in the second half of the Company's fiscal year, reflecting principally the seasonal buying patterns of the Company's customers.

Patents

Haemonetics holds patents in the United States and abroad on certain of its machines and disposables. These patents cover certain elements of its systems, including protocols employed in its equipment and certain aspects of its processing chambers and other disposables. The Company considers its patents to be important but not indispensable to its business. To maintain its competitive position, the Company relies to a greater degree on the technical expertise and know-how of its personnel than on its patents. The Company pursues an active and formal program of invention disclosure and patent application both in the United States and abroad. The Company also owns various trademarks which have been registered in the United States and certain other countries.

Regulation

The products manufactured and marketed by the Company are subject to regulation by the Center for Biologics ("CBER") and the Center of Devices ("CDRH") of the U.S. Food and Drug Administration ("FDA") and non-U.S. regulatory bodies.

All medical devices introduced to the U.S. market since 1976 are required by the FDA, as a condition of marketing, to secure either a 510(k) premarket notification clearance or an approved Premarket Approval Application ("PMA"). A 510(k) premarket notification clearance indicates FDA agreement with an applicant's determination that the product for which clearance has been sought is substantially equivalent to another legally marketed medical device. An approved PMA application indicates that the FDA has determined that the device has been proven, through the submission of clinical data and manufacturing information, to be safe and effective for its labeled indications. The process of obtaining a 510(k) clearance typically takes six to twelve months and involves the submission of limited clinical data and supporting information, while the PMA process typically will last more than a year and requires the submission of significant quantities of clinical data and supporting information.

The Company maintains customer complaint files, records all lot numbers of disposable products and conducts periodic audits to assure compliance with FDA regulations. The Company places special emphasis on customer training and advises all customers that blood processing procedures should be undertaken only by qualified personnel.

The Company is also subject to regulation in countries outside the U.S. in which it markets its products. Many of the regulations applicable to the Company's products in such countries are similar to those of the FDA. However, the national health or social security organizations of certain countries require the Company's products to be qualified by those countries before they can be marketed in those countries. Haemonetics has complied with these regulations and has obtained such qualifications.

Federal, state and foreign regulations regarding the manufacture and sale of products such as the Company's systems are subject to change. The Company cannot predict what impact, if any, such changes might have on its business.

Environmental Matters

The Company does not anticipate that compliance with federal, state and local environmental protection laws presently in effect will have a material adverse impact upon the Company or require any material capital expenditures.

Employees

As of March 28, 1998, Haemonetics employed 1,687 persons assigned to the following functional areas: manufacturing, 731; sales and marketing, 258; general and administrative, 183; research and development, 84; quality control and field service, 140; and blood bank services, 291. The Company considers its employee relations to be satisfactory.

(e) Financial Information about Foreign and Domestic Operations and Export Sales.

The information required by this item is included in Part II of this report in footnote 13 of the financial statements, page 38.

ITEM 2. PROPERTIES

The Company owns its main facility, which is located on 14 acres in Braintree, Massachusetts. This facility is located in a light industrial park and was constructed in the 1970s. The building is approximately 180,000 square feet, of which 67,000 square feet are devoted to manufacturing and quality control operations, 35,000 square feet to warehousing, 63,000 square feet for administrative and research and development activities and 15,000 square feet available for expansion.

The Company leases an 81,850 square foot facility in Pittsburgh, Pennsylvania. This facility is used for warehousing, distribution of the

products and, as of November of 1991, manufacturing operations. Annual lease expense is \$280,056 for this facility.

In April 1994, the Company purchased a facility in Bothwell, Scotland. The facility manufactures disposable components for its automated plasma collection and surgical blood salvage systems for its European customers. The facility and related property were acquired at a cost of approximately \$1,600,000. The facility is approximately 22,200 square feet. Manufacturing operations began in August, 1994.

In August 1995, the Company purchased a facility in Union, South Carolina. This facility will be used for the manufacture of sterile solutions to support the Company's component therapy and plasma businesses once approval to do so is received from the FDA. The Company is presently engaged in the lengthy process of seeking such approval. The Company expects approval to take approximately eighteen months. The facility and land were acquired for a cost of \$2,423,000. The facility is approximately 57,700 square feet.

Effective August 1997, the Company began leasing a 48,000 square foot facility in Avon, Massachusetts. This facility is used for warehousing and distribution of products. Annual lease expense for this facility is \$259,096.

The Company also operates 17 collection centers (11 leased and 6 owned properties) for the BBMS business and it leases sales, service and distribution facilities overseas in the United Kingdom, France, Sweden, Switzerland, The Netherlands, Germany, Japan, Hong Kong, Italy, Belgium, Austria, Taiwan and China to support the international business.

ITEM 3. LEGAL PROCEEDINGS

The Company is presently engaged in various legal actions, and although ultimate liability cannot be determined at the present time, the Company believes that any such liability will not materially affect the consolidated financial position of the Company or its results of operations.

The Company's products are relied upon by medical personnel in connection with the treatment of patients and the collection of blood from donors. In the event that patients or donors sustain injury or death in connection with their condition or treatment, the Company, along with others, may be sued, and whether or not the Company is ultimately determined to be liable, it may incur significant legal expenses. In addition, such litigation could damage the Company's reputation and, therefore, impair its ability to market its products and impair its ability to obtain professional or product liability insurance or cause the premiums for such insurances to increase. The Company carries product liability and professional liability (malpractice) coverage. While management of the Company believes that the aggregate current coverage is sufficient, there can be no assurance that such coverage will be adequate to cover liabilities which may be incurred. Moreover, the Company may in the future be unable to obtain product and professional liability coverages in amounts and on terms that it finds acceptable, if at all.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

Executive Officers of the Registrant

The information concerning the Company's Executive Officers required by this item is incorporated by reference to the section in Part III hereof entitled "Directors and Executive Officers of the Registrant."

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Summary of Quarterly Data
(unaudited)
(in thousands, except share data)

	1998 Quarter Ended				1997 Quarter Ended			
	June 28, 1997	Sept. 27, 1997	Dec. 27, 1997	March 28, 1998	June 29, 1996	Sept. 28, 1996	Dec. 28, 1996	March 29, 1997
Net revenues	\$79,485	\$72,520	\$70,479	\$63,278	\$75,049	\$73,230	\$74,211	\$80,519
Gross profit	37,088	34,734	35,402	28,531	42,140	39,893	37,916	39,214
Non-recurring restruct- uring expense	-	-	24,500	-	-	-	-	-
Operating income	11,448	8,694	(14,252)	522	14,888	13,918	11,404	12,297
Earnings from continuing operations	7,717	5,736	(9,281)	(3,571)	9,910	9,319	7,717	8,688
Loss from discontinued operations	(1,236)	(1,705)	(2,396)	(20,036)	(488)	(670)	(697)	(809)
Net income (loss)	6,481	4,031	(11,677)	(23,607)	9,422	8,649	7,020	7,879

Share data:

Net Income (loss):

Basic	\$ 0.24	\$ 0.15	\$ (0.44)	\$ (0.89)	\$ 0.35	\$ 0.32	\$ 0.26	\$ 0.29
Diluted	\$ 0.24	\$ 0.15	\$ (0.44)	\$ (0.89)	\$ 0.34	\$ 0.31	\$ 0.26	\$ 0.29

Haemonetics' common stock is listed on the New York Stock Exchange. The following table sets forth for the periods indicated the high and low of the daily sales prices, which represent actual transactions as reported by the New York Stock Exchange.

	1998 Quarter Ended				1997 Quarter Ended			
	June 28, 1997	Sept. 27, 1997	Dec. 27, 1997	March 28, 1998	June 29, 1996	Sept. 28, 1996	Dec. 28, 1996	March 29, 1997
Market price of Common Stock High	19-5/8	21-1/16	20-15/16	17-3/4	21-3/4	21-3/8	21-1/4	19-1/2
Low	16-1/4	16-1/16	13-11/16	13-3/8	16-5/8	17-1/4	16-5/8	16

There were approximately 565 holders of record of the Company's common stock as of May 28, 1998.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

HAEMONETICS CORPORATION AND SUBSIDIARIES
TEN-YEAR REVIEW
(in thousands, except share data)

Summary of Operations	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Net revenues	\$285,762	\$303,009	\$276,470	\$261,287	\$248,449	\$216,286	\$176,419	\$157,332	\$124,363	\$115,244
Cost of goods sold	150,007	143,846	122,468	116,723	104,879	97,296	85,524	82,656	62,322	54,611
Gross profit	135,755	159,163	154,002	144,564	143,570	118,990	90,895	74,676	62,041	60,633
Operating expenses:										
Research and development	17,934	18,586	18,104	16,607	15,786	13,589	10,478	8,386	5,776	5,226
Selling, general and administrative	86,909	88,070	78,654	74,650	75,940	63,576	50,517	42,452	34,940	34,783
Non-recurring restructuring expense	24,500	-	-	-	-	-	-	-	-	-
Total Operating Expenses	129,343	106,656	96,758	91,257	91,726	77,165	60,995	50,838	40,716	40,009
Operating income	6,412	52,507	57,244	53,307	51,844	41,825	29,900	23,838	21,325	20,624
Other income / (expense), net	(1,946)	2,298	931	192	(1,050)	(1,839)	(2,222)	(2,927)	(4,491)	(2,822)
Income from continuing operations before taxes	4,466	54,805	58,175	53,499	50,794	39,986	27,678	20,911	16,834	17,802
Provision for income taxes	3,865	19,171	20,351	19,250	19,305	15,231	9,687	7,110	5,455	6,272
Net income from continuing operations	\$ 601	\$ 35,634	\$ 37,824	\$ 34,249	\$ 31,489	\$ 24,755	\$ 17,991	\$ 13,801	\$ 11,379	\$ 11,530
Net loss from discontinued operations	\$(25,373)	\$(2,664)	\$(1,899)	\$(604)	-	-	-	-	-	-
Net Income (loss)	\$(24,772)	\$ 32,970	\$ 35,925	\$ 33,645	\$ 31,489	\$ 24,755	\$ 17,991	\$ 13,801	\$ 11,379	\$ 11,530
Earnings (loss) per share:										
Basic	\$ (0.93)	\$ 1.21	\$ 1.32	\$ 1.21	\$ 1.13	\$ 0.89	\$ 0.65	\$ 0.51	\$ 0.42	\$ 0.43
Diluted	\$ (0.93)	\$ 1.20	\$ 1.30	\$ 1.18	\$ 1.09	\$ 0.87	\$ 0.63	\$ 0.50	\$ 0.41	\$ 0.42
Weighted average number of shares	26,537	27,160	27,294	27,896	27,964	27,818	27,670	27,000	27,000	27,000
Common Stock Equivalents	52	291	428	547	838	794	672	554	554	554
Weighted average number of common and common equivalent shares	26,589	27,451	27,722	28,443	28,802	28,612	28,342	27,554	27,554	27,554

Financial and Statistical Data:	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
---------------------------------	------	------	------	------	------	------	------	------	------	------

Working capital	\$112,792	\$ 94,045	\$112,440	\$108,459	\$ 81,504	\$ 63,431	\$ 40,919	\$ 29,471	\$ 27,233	\$ 30,369
Current ratio	2.44	2.3	3.4	3.2	2.7	2.6	2.1	1.8	1.8	2.4
Property, plant and equipment, net	\$ 84,219	\$ 97,402	\$ 82,869	\$ 82,059	\$ 68,342	\$ 56,015	\$ 46,751	\$ 42,300	\$ 36,214	\$ 23,267
Capital expenditures	\$ 20,380	\$ 36,725	\$ 19,073	\$ 21,642	\$ 22,891	\$ 17,595	\$ 11,373	\$ 12,975	\$ 17,538	\$ 7,314
Depreciation and amortization	\$ 22,861	\$ 19,507	\$ 12,682	\$ 13,480	\$ 10,720	\$ 8,517	\$ 6,954	\$ 6,996	\$ 4,561	\$ 3,494
Total assets	\$336,693	\$320,474	\$287,541	\$280,509	\$230,684	\$187,755	\$144,846	\$117,754	\$110,630	\$ 87,752
Total debt	\$ 71,054	\$ 29,526	\$ 18,534	\$ 33,392	\$ 14,278	\$ 13,562	\$ 24,098	\$ 24,805	\$ 33,903	\$ 28,588
Stockholders' equity	\$194,655	\$225,274	\$216,970	\$193,177	\$160,776	\$126,650	\$ 90,581	\$ 67,543	\$ 54,083	\$ 42,415
Return on average equity	(11.8)%	14.9%	17.5%	19.0%	21.9%	22.8%	22.8%	22.7%	23.6%	31.1%
Debt as a % of stockholders' equity	36.5%	13.1%	8.5%	17.3%	8.9%	10.7%	26.6%	36.7%	62.7%	67.4%
Employees from continuing operations	1,396	1,405	1,202	1,235	1,109	1,002	965	923	810	742
Net revenues per employee from continuing operation	\$ 205	\$ 216	\$ 230	\$ 212	\$ 224	\$ 216	\$ 183	\$ 170	\$ 154	\$ 155

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On May 1, 1998, the Company adopted a plan to discontinue its Blood Bank Management Services Business, BBMS. Accordingly, all income and expense items and assets and liabilities related to BBMS have been excluded from the following discussion of continuing operations.

Results of Continuing Operations

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

	Percentage of Net Revenues			Percentage Increase	
	Year Ended March 28, 1998	Year Ended March 29, 1997	Year Ended March 30, 1996	1998/97	1997/96
Net revenues	100.0%	100.0%	100.0%	(5.7)%	9.6%
Cost of goods sold	52.5	47.5	44.3	4.3	17.5
Gross profit	47.5	52.5	55.7	(14.7)	3.4
Operating expenses:					
Research and development	6.3	6.1	6.5	(3.5)	2.7
Selling, general and administrative	30.4	29.1	28.4	(1.3)	12.0
Non-recurring restructuring expense	8.6	-	-	100.0	-
Total operating expenses	45.3	35.2	35.0	21.3	10.2
Operating income	2.2	17.3	20.7	(87.8)	8.3
Interest expense	(1.2)	(0.6)	(0.8)	(96.0)	(24.9)
Interest income	1.2	1.0	0.8	14.5	(40.1)
Other income (expense), net	(0.6)	0.4	0.4	(279.7)	(3.9)
Income before provision for income taxes	1.6	18.1	21.1	(91.9)	(5.8)
Provision for income taxes	1.4	6.3	7.4	(79.8)	(5.8)
Earnings from continuing operations	0.2%	11.8%	13.7%	(98.3)%	(5.8)%

1998 compared to 1997

Net revenues in 1998 decreased 5.7% to \$285.8 million from \$303.0 million in 1997. Worldwide disposable sales decreased approximately 3.6%. Without the effects of currency, disposable sales increased 6.0%, primarily in international markets. Sales of disposables products accounted for approximately 89% and 87% of net revenues for 1998 and 1997, respectively. Service revenues generated from equipment repairs performed under preventive maintenance contracts or emergency service billings are included as part of disposables revenues and accounted for approximately .6% and .7% of the Company's net revenues for 1998 and 1997, respectively. Equipment revenues decreased approximately 19.0% with and without the effect of currency. This decrease was attributable to 1997 non-recurring equipment revenues in the plasma business. International sales accounted for approximately 67% and 64% of net revenues for 1998 and 1997, respectively.

Gross profit in 1998 decreased \$23.4 million from \$159.2 million in 1997. As a percentage of net revenues, gross profit percent decreased by 5.0% to 47.5% in 1998 from 52.5% in 1997. Approximately 44% of the decrease was due to the unfavorable effects of the strengthening dollar and 56% of the decrease was due to higher product costs and less favorable product mix. A portion of higher product costs is attributed to non-recurring charges approximating \$1.8 million.

The Company expended \$17.9 million in 1998 on research and development (6.3% of net revenues) and \$18.6 million in 1997 (6.1% of net revenues).

Selling, general and administrative expenses decreased to \$86.9 million in 1998 from \$88.1 million in 1997 but increased as a percentage of net revenues to 30.4% from 29.1% due to lower sales. Approximately \$1.8 million, or .6% of the 1998 expenses as a percent of sales, related to one-time charges.

Operating income, as a percentage of net revenues, decreased 15.1% to 2.2% in 1998 from 17.3% in 1997.

During the third quarter of fiscal 1998, the Company recorded a charge of \$24.5 million related to the restructuring plans announced by the Company on November 12, 1997. The Company made a decision not to undertake certain rework and to terminate the manufacture of certain products. Additionally, certain products, which would have required additional investments to continue their useful lives, will no longer be supported. The Company has also identified certain operations, which it has closed or partially closed, resulting in losses associated with the abandonment of certain leases and fixed assets, and the termination of certain employees.

The \$24.5 million charge consists of \$8.6 million related to the write-off of certain disposable and equipment inventories. These inventories and equipment were scrapped or abandoned in conjunction with decisions to discontinue a disposable rework program and to exit certain product lines. An additional \$6.2 million relates to the write down of certain property, plant and equipment, principally older generation commercial plasma equipment, which the Company no longer intends to support. The Company also recorded charges of \$3.8 million related to the cost of exiting certain long term supply commitments for products which the Company no longer plans to sell. Other assets totaling \$3.8 million were also written off. These included certain investments in non-core businesses which the Company no longer intends to pursue. Finally, \$2.1 million relates to reserves for severance and other contractual obligations with respect to the employee terminations.

Operating income before the \$24.5 million restructure charge, as a percentage of net revenues, decreased 6.5% to 10.8% in 1998 from 17.3% in 1997. Greater than 100.0% of decrease was due to the gross profit decrease, offset by a slight decrease in selling, general and administrative expenses.

Interest expense increased in 1998 to \$3.4 million from \$1.7 million in 1997 due to an increase in the average level of borrowing through the year. Interest income increased in 1998 to \$3.4 million from \$2.9 million in 1997 resulting from an increase in sales-type leases.

Other income (expense) decreased \$3.0 million to \$1.9 million of expense in 1998 from \$1.1 million of income in 1997. The decrease is largely attributed to the \$2.1 million write-off of a non-strategic initiative the Company decided not to pursue.

The provision for income taxes, as a percentage of pretax income, increased 51.5% from 35.0% in 1997 to 86.5% in 1998. The increase was due to the shift in taxable income from the domestic operations to the higher taxed foreign operations as a result of the one-time restructure charge of \$24.5 million and the \$28.0 million pre-tax charge from the discontinuance of BBMS. Additionally, certain foreign operating losses were not given financial statement benefit.

1997 compared to 1996

Net revenues in 1997 increased 9.6% to \$303.0 million from \$276.5 million in 1996. Worldwide disposable sales increased approximately 8.2% due to growth in the international markets. Worldwide disposable sales increased 2.9% without the effect of currency. Sales of disposables products accounted for approximately 87% and 88% of net revenues for 1997 and 1996, respectively. Service revenues, generated from equipment repairs performed under preventive maintenance contracts or emergency service billings, are included as part of disposables revenues and accounted for approximately .7% and 1.1% of the Company's net revenues for 1997 and 1996, respectively. Equipment sales increased approximately 19.5% due to growth in the domestic surgical market and shipments to China. International sales accounted for approximately 64% and 62% of net revenues for 1997 and 1996, respectively.

Gross profit in 1997 increased to \$159.2 million from \$154.0 million in 1996. As a percentage of net revenues, gross profit percent decreased by 3.2% to 52.5% in 1997 from 55.7% in 1996. The decrease was due to pressure on product prices and to less favorable product mix partially offset by a favorable effect of currency.

The Company expended \$18.6 million in 1997 on research and development (6.1% of net revenues) and \$18.1 million in 1996 (6.5% of net revenues).

Selling, general and administrative expenses increased to \$88.1 million in 1997 from \$78.7 million in 1996 and increased as a percentage of net revenues to 29.1% from 28.4%. Costs associated with the worldwide regulatory efforts related to red cell apheresis contributed to the increase.

Operating income, as a percentage of net revenues, decreased 3.4% to 17.3% in 1997 from 20.7% in 1996. The decrease was due to pressure on product prices and to less favorable product mix partially offset by a favorable effect of currency.

Interest expense decreased in 1997 to \$1.7 million from \$2.3 million in 1996 due to a decrease in both the average borrowings and borrowing rates. Interest income increased in 1997 to \$2.9 million from \$2.1 million

in 1996 resulting from an increase in the Company's investment in sales-type leases and higher average cash balances during the year.

The provision for income taxes remained at approximately 35% as a percentage of pretax income for 1997 and 1996.

Results of Discontinued Operations

1998 compared to 1997

Net revenues increased 165.1% in 1998 to \$18.0 million from \$6.8 million in 1997. Gross profit in 1998 decreased to \$(.2) million in 1998 from \$.6 million in 1997 and operating losses increased 127.6% to \$(10.8) million in 1998 from \$(4.1) million in 1997. The decrease in gross profit and the increase in operating losses were the result of high manufacturing and operating costs associated with the acquisition of three blood banks in the service business: Tri-Counties Blood Bank, Kansas Blood Services and Gateway Blood Services.

1997 compared to 1996

Net revenues increased 289.9% in 1997 to \$6.8 million from \$1.7 million in 1996. Gross profit remained relatively unchanged at \$.6 million in both 1997 and 1996 and operating losses increased 41.1% to \$(4.1) million in 1997 from \$(2.9) million in 1996. The neutral gross profit performance and the increase in operating losses was the result of higher manufacturing and operating costs attributed to the ramp up of the service business in 1997. In years prior to 1997, the service business was limited to one facility in Arizona, the Arizona Blood Institute, purchased in fiscal year 1994 as both a blood bank and training facility for Haemonetics Corporation.

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, stock purchases, new business development and working capital.

In 1998, the Company increased cash balances by \$13.5 million from operating, investing and financing activities which represents an increase of \$18.7 million from the \$5.1 million utilized by the Company's operating, investing and financing activities in 1997. The increase was largely a result of \$37.4 million more cash provided by financing activities in 1998 versus 1997 offset by \$21.0 million of additional cash utilized by the Company's discontinued operations in 1998 as compared to 1997.

Operating Activities

The Company generated \$32.1 million in cash from operating activities of continuing operations in 1998 as compared to \$48.2 million generated during 1997. The \$16.1 million decrease in operating cash flow from continuing operations was a result of an increase in inventory investment by \$13.9 million; a \$14.4 million swing in accounts payable, accrued expenses and other current liabilities; an increase in other assets investment of \$10.3 million due to increases in tax deferrals and prepayments; and a decrease in net income from continuing operations adjusted for non-cash items, (depreciation and amortization, the 1998 restructuring charge and deferred tax benefit) of \$7.2 million. These increased uses were offset by additional sources of cash generated in 1998 as compared to 1997 due to accounts receivable, \$25.8 million, and current sales-type leases, \$3.9 million.

During 1998, the Company's discontinued operations utilized \$11.7 million in operating cash flows, an increase of \$10.4 million over the \$1.3 million of uses in 1997.

Investing Activities

The Company utilized \$31.0 million in cash for investing activities in 1998, a decrease of \$15.8 million from 1997. During 1998, the Company incurred \$20.4 million in capital expenditures net of retirements and disposals. Included in this amount is a \$(1.4) million net decrease in long-term demonstration assets. In 1997, the Company utilized \$36.7 million for capital expenditures net of retirements and disposals, including \$6.9 million for net expenditures in long-term demonstration assets. The \$16.3 million decrease in expenditures on property, plant and equipment, commercial plasma machines and other revenue generating assets from 1997 to 1998 is due primarily to lower commercial plasma machine placements. Finally, the Company utilized \$8.9 million for long-term sales-type leases in 1998, compared with \$10.1 million utilized in 1997.

During 1998, the Company invested \$16.0 million in discontinued operations. Capital expenditures relating to discontinued operations were approximately \$10.8 million in 1998 and \$5.3 million in 1997.

Financing Activities

During 1998, the need for funds not satisfied by internal sources was satisfied by an increase in borrowings of \$42.5 million. Forty million in notes were issued during the third quarter of 1998 having a coupon rate of 7.05% and a ten year term.

Net debt increased \$29.0 million to \$49.3 million in 1998, \$27.7 million of which was utilized by the discontinued operations.

The Company used \$5.6 million to repurchase 318,700 shares of treasury stock during 1998. There remains approximately 271,100 shares authorized for repurchase by the Company at prevailing prices as market conditions warrant.

The Company does not intend to repurchase any shares during the next fiscal year.

At March 29, 1997, the Company had working capital of \$112.8 million. This reflects an increase of \$18.8 million in working capital for the twelve months ended March 28, 1998. The Company believes its sources of cash are adequate to meet its projected needs.

Year 2000 Compliance

Based upon information currently available, management does not anticipate that the Company will incur material costs to update its computer software programs and applications to be "Year 2000" compliant. The Year 2000 problem which is common to most corporations concerns the inability of information systems, primarily computer software programs, to properly recognize and process date sensitive information as the year 2000 approaches. The Company has completed an assessment of its internal systems, has developed a workplan to address this issue and is in the process of implementing actions which address affected systems in time to minimize any detrimental effects on operations.

In addition the Company relies on third party providers for some of its systems support. To the extent that the Company will be relying on its outside software vendors, Year 2000 compliance matters will not be entirely within the Company's direct control. Finally, the Company has relationships with vendors, customers and other third parties who rely on computer software that may not be Year 2000 compliant. Many of these third parties, operate outside of the U.S. in countries where compliance programs may be less further along than in the U.S. There can be no assurance that Year 2000 compliance failures by such third parties will not have a material adverse effect on the Company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

HAEMONETICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (in thousands, except share data)

	March 28, 1998	March 29, 1997

ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,766	\$ 8,272
Accounts receivable, less allowance of \$818 in 1998 and \$961 in 1997	58,886	70,913
Inventories	61,664	54,928
Current investment in sales-type leases, net	11,887	13,559
Deferred tax asset	21,777	14,290
Other prepaid and current assets	15,170	4,229
Current assets net of current liabilities of discontinued operations	-	269

Total current assets	191,150	166,460
Property, plant and equipment:		
Land, building, and building improvements	23,197	21,737
Machinery and equipment	65,236	74,158
Furniture and fixtures	9,216	5,987
Commercial plasma and rental equipment	72,612	81,375

Total property, plant and equipment	170,261	183,257
Less: accumulated depreciation	86,042	85,855

Net property, plant and equipment	84,219	97,402
Other assets:		
Investment in sales-type leases, net (long-term)	38,596	30,954
Distribution rights, net	10,718	10,266
Other assets, net	5,204	7,978
Property, plant and equipment and other assets net of long-term liabilities of discontinued operations	6,806	7,414

Total other assets	61,324	56,612

Total assets	\$336,693	\$320,474
	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Notes payable and current maturities of long-term debt	\$ 17,468	\$ 19,511
Accounts payable	21,689	27,465
Accrued payroll and related costs	7,726	6,559
Accrued income taxes	5,750	10,478
Other accrued liabilities	15,132	8,402
Current liabilities and accrued losses net of current assets of discontinued operations	10,593	-

Total current liabilities	78,358	72,415
Deferred income taxes	9,944	12,770
Long-term debt, net of current maturities	53,586	10,015
Other long-term liabilities	150	-
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock, \$.01 par value; Authorized-80,000,000 shares;		

Issued-29,341,648 shares in 1998; 29,238,350 shares in 1997	293	292
Additional paid-in capital	59,142	56,547
Retained earnings	190,757	215,657
Cumulative translation adjustment	(9,588)	(6,162)
	-----	-----
Stockholders' equity before treasury stock	240,604	266,334
Less: treasury stock at cost-2,756,969 shares in 1998; 2,478,888 shares in 1997	45,949	41,060
	-----	-----
Total stockholders' equity	194,655	225,274
	-----	-----
Total liabilities and stockholders' equity	\$336,693	\$320,474
	=====	=====
Supplemental disclosure of balance sheet information:		
Net debt	\$ 49,288	\$ 21,254
	=====	=====

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

HAEMONETICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share data)

	Year Ended		
	March 28, 1998	March 29, 1997	March 30, 1996
	-----	-----	-----
Net revenues	\$285,762	\$303,009	\$276,470
Cost of goods sold	150,007	143,846	122,468
	-----	-----	-----
Gross profit	135,755	159,163	154,002
	-----	-----	-----
Operating expenses:			
Research and development	17,934	18,586	18,104
Selling, general and administrative	86,909	88,070	78,654
Non-recurring restructuring expense	24,500	-	-
	-----	-----	-----
Total operating expenses	129,343	106,656	96,758
	-----	-----	-----
Operating income	6,412	52,507	57,244
Interest expense	(3,373)	(1,721)	(2,290)
Interest income	3,366	2,940	2,098
Other income (expense), net	(1,939)	1,079	1,123
	-----	-----	-----
Income from continuing operations before provision for income taxes	4,466	54,805	58,175
Provision for income taxes	3,865	19,171	20,351
	-----	-----	-----
Earnings from continuing operations	601	35,634	37,824
Discontinued operations:			
Loss from operations, net of income tax benefit of (\$3,863) in 1998, (\$1,433) in 1997 and (\$1,022) in 1996	(7,173)	(2,664)	(1,899)
Loss on disposal, net of income tax benefit of (\$9,800)	(18,200)	-	-
	-----	-----	-----
Loss from discontinued operations	(25,373)	(2,664)	(1,899)
Net income (loss)	\$(24,772)	\$ 32,970	\$ 35,925
	=====	=====	=====
Basic income (loss) per common share			
Continued operations	\$ 0.02	\$ 1.31	\$ 1.39
Discontinued operations	\$ (0.96)	\$ (0.10)	\$ (0.07)
Net income (loss)	\$ (0.93)	\$ 1.21	\$ 1.32
Income (loss) per common share assuming dilution			
Continued operations	\$ 0.02	\$ 1.30	\$ 1.36
Discontinued operations	\$ (0.95)	\$ (0.10)	\$ (0.07)
Net income (loss)	\$ (0.93)	\$ 1.20	\$ 1.30
Weighted average shares outstanding			
Basic	26,537	27,160	27,294
Diluted	26,589	27,451	27,722

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

HAEMONETICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional	Retained	Treasury	Cumulative	Total
	Shares	\$'s	Paid-in	Earnings	Stock	Translation	Stockholders'
			Capital			Adjustment	Equity
Balance, April 1, 1995	28,403	\$284	\$50,086	\$146,824	\$(17,519)	\$ 13,502	\$193,177
Employee stock purchase plan	-	-	-	(42)	633	-	591
Exercise of stock options and related tax benefit	367	4	2,269	-	-	-	2,273
Purchase of treasury stock	-	-	-	-	(8,881)	-	(8,881)
Net income	-	-	-	35,925	-	-	35,925
Translation adjustment	-	-	-	-	-	(6,115)	(6,115)
Balance, March 30, 1996	28,770	288	52,355	182,707	(25,767)	7,387	216,970
Employee stock purchase plan	-	-	-	(20)	537	-	517
Exercise of stock options and related tax benefit	468	4	4,192	-	-	-	4,196
Purchase of treasury stock	-	-	-	-	(15,830)	-	(15,830)
Net income	-	-	-	32,970	-	-	32,970
Translation adjustment	-	-	-	-	-	(13,549)	(13,549)
Balance, March 29, 1997	29,238	292	56,547	215,657	(41,060)	(6,162)	225,274
Employee stock purchase plan	-	-	-	(128)	677	-	549
Exercise of stock options and related tax benefit	104	1	2,595	-	-	-	2,596
Purchase of treasury stock	-	-	-	-	(5,566)	-	(5,566)
Net loss	-	-	-	(24,772)	-	-	(24,772)
Translation adjustment	-	-	-	-	-	(3,426)	(3,426)
Balance, March 28, 1998	29,342	\$293	\$59,142	\$190,757	\$(45,949)	\$ (9,588)	\$194,655

HAEMONETICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended		
	March 28, 1998	March 29, 1997	March 30, 1996
Cash Flows from Operating Activities:			
Net income (loss)	\$(24,772)	\$ 32,970	\$ 35,925
Less net loss from discontinued operations	(25,373)	(2,664)	(1,899)
Net income from continuing operations	601	35,634	37,824
Adjustments to reconcile net income to net cash provided by operating activities:			
Non cash items:			
Depreciation and amortization	22,861	19,507	12,682
Restructuring charge	24,500	-	-
Deferred tax benefit	(338)	(300)	(907)
Change in operating assets and liabilities:			
(Increase) decrease in accounts receivable-net	9,668	(16,156)	(1,605)
Increase in inventories	(14,675)	(733)	(169)
(Increase) decrease in sales-type leases (current)	967	(3,014)	242
(Increase) decrease in other assets	(8,743)	1,564	4,998
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	(2,745)	11,658	6,752
Net cash provided by operating activities, continuing operations	32,096	48,160	59,817
Net cash (used in) operating activities, discontinued operations	(11,697)	(1,293)	(1,508)
Net cash provided by operating activities	20,399	46,867	58,309
Cash Flows from Investing Activities:			
Capital expenditures on property, plant and equipment, net of retirements and disposals	(20,380)	(36,725)	(19,073)
Increase in distribution rights	(1,717)	-	-
DHL asset acquisition	-	-	(6,189)
Net increase in sales-type leases (long-term)	(8,923)	(10,136)	(3,501)
Net cash (used in) investing activities, continued operations	(31,020)	(46,861)	(28,763)

Net cash (used in) investing activities, discontinued operations	(15,965)	(5,337)	(637)
Net cash (used in) investing activities	(46,985)	(52,198)	(29,400)
Cash Flows from Financing Activities:			
Payments on long-term real estate mortgage	(186)	(186)	(152)
Net increase (decrease) in short-term revolving credit agreements	(1,038)	17,545	(4,022)
Net increase (decrease) in long-term revolving credit agreements	3,757	(3,450)	(8,798)
Borrowings under long-term senior note purchases agreements	40,000	-	-
Employee stock purchase plan	549	517	591
Exercise of stock options and related tax benefit	2,596	4,161	2,273
Purchase of treasury stock	(5,566)	(15,830)	(8,881)
Net cash provided by (used in) financing activities	40,112	2,757	(18,989)
Effect of exchange rates on cash and cash equivalents	(32)	(2,586)	(718)
Net Increase (Decrease) in Cash and Cash Equivalents	13,494	(5,160)	9,202
Cash and Cash Equivalents at Beginning of Year	8,272	13,432	4,230
Cash and Cash Equivalents at End of Year	\$ 21,766	\$ 8,272	\$ 13,432
Supplemental disclosures of cash flow information:			
Net (decrease) in cash and cash equivalents, discontinued operations	\$(27,662)	\$ (6,630)	\$ (2,145)
Net increase in cash and cash equivalents, continuing operations	\$ 41,156	\$ 1,470	\$ 11,347
Increase (decrease) in net debt	\$ 29,039	\$ 19,069	\$(22,174)
Interest paid	\$ 2,423	\$ 2,834	\$ 1,791
Income taxes paid, net of refunds	\$ 16,792	\$ 15,228	\$ 22,058

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

HAEMONETICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE BUSINESS

Haemonetics Corporation and subsidiaries (the "Company") designs, manufactures and markets automated systems for the collection, processing and surgical salvage of blood. Haemonetics will also collect blood products until the divestiture of the BBMS business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year

The Company's fiscal year ends on the Saturday closest to the last day of March. Fiscal 1998, Fiscal 1997 and Fiscal 1996 each included 52 weeks. Fiscal 1999 will include 53 weeks, with 14 weeks in the first quarter. The first quarter will end on July 4, 1998.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents include money market funds with a maturity of less than one week. Cash and cash equivalents are recorded at cost, which approximates market value.

Net Income (Loss) per Share

In 1998, the Company adopted Statement of Financial Accounting Standard (SFAS) NO. 128, "Earnings per Share," which is effective for financial statements issued for periods ending after December 15, 1997. Prior period per share amounts have been restated to comply with this new statement. SFAS 128 supersedes Accounting Principles Board Opinion No. 15 (APB 15) and establishes new standards for the presentation of earnings per share under SFAS 128, "Basic Earnings Per Share" excludes dilution and is computed by dividing income available to common stockholders by weighted average shares outstanding. "Diluted Earnings Per Share" reflects the effect of all dilutive outstanding common stock equivalents. The following table provides a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations, as required by SFAS 128:

	Years Ended		
	March 28, 1998	March 29, 1997	March 30, 1996
(Dollars and shares in thousands except share amounts)			
Basic EPS			
Net Income (Loss)	\$(24,772)	\$32,970	\$35,925
Weighted Average shares	26,537	27,160	27,294
Basic income (loss) per share	\$ (0.93)	\$ 1.21	\$ 1.32
Diluted EPS			
Net Income (Loss)	\$(24,772)	\$32,970	\$35,925
Basic Weighted Average shares	26,537	27,160	27,294
Effect of Stock options	52	291	428
Diluted Weighted Average shares	26,589	27,451	27,722
Diluted income (loss) per share	\$ (0.93)	\$ 1.20	\$ 1.30

Foreign Currency

Foreign currency transactions and financial statements are translated into U.S. dollars following the provisions of SFAS No. 52, "Foreign Currency Translation." Accordingly, assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at year-end. Net revenues and costs and expenses are translated at average rates in effect during the year. Included in other income/expense in 1998, 1997 and 1996 are \$318,000, \$288,000 and \$710,000, respectively, in foreign currency transaction gains.

The Company enters into forward exchange contracts to hedge certain firm sales commitments to customers, which are denominated in foreign currencies. The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual dollar cash flows resulting from the sale of products to international customers will be adversely affected by changes in exchange rates. Gains and losses realized on these contracts are recorded in operations, offsetting the related foreign currency transactions. The cash flows related to the gains and losses on these foreign currency hedges are classified in the statements of cash flows as part of cash flows from operating activities.

At March 28, 1998 and March 29, 1997, the Company had forward exchange contracts, all having maturities of less than one year, to exchange foreign currencies (major European currencies and Japanese yen) primarily for U.S. dollars totaling \$77,662,000 and \$98,200,000, respectively. Gross unrealized gains and losses from hedging firm sales commitments, based upon current forward rates, were a \$4,093,000 gain and a \$11,000 loss at March 28, 1998 and a \$7,132,000 gain and a \$4,000 loss at March 29, 1997. Deferred gains and losses are recognized in earnings when the future sales are recognized. Management anticipates that these deferred amounts at March 28, 1998 will be offset by the foreign exchange effect on sales of products to international customers in fiscal 1999.

The Company is exposed to credit loss in the event of nonperformance by counter-parties on these foreign exchange contracts. The Company does not anticipate nonperformance by any of these parties.

Financial Instruments

SFAS No. 107 "Disclosures About Fair Value of Financial Instruments," requires disclosure of an estimate of the fair value of certain financial instruments. The fair value of certain of the Company's financial instruments, including cash and cash equivalents, notes payable and long-term debt, pursuant to SFAS No. 107 approximated their carrying values at March 28, 1998 and March 29, 1997. Fair values have been determined through information obtained from market sources and management estimates.

Property, Plant and Equipment

The Company provides for depreciation and amortization by charges to operations using the straight-line method in amounts estimated to recover the cost of the building and improvements, equipment, and furniture and fixtures over their estimated useful lives as follows:

Asset Classification	Estimated Useful Lives
Building	30 Years
Building and leasehold improvements	5-25 Years
Machinery and equipment	2-10 Years
Furniture and fixtures	5-8 Years
Commercial plasma and rental equipment	6-8 Years

Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease. Maintenance and repairs are charged to operations as incurred. When equipment and improvements are sold or otherwise disposed of, the asset cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss, if any, is included in the results of operations. Fully depreciated assets are removed from the accounts when they are no longer in use.

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 basis.

Inventories consist of the following:

	March 28, 1998	March 29, 1997
	----- (in thousands)	
Raw materials	\$11,532	\$12,501
Work-in-process	5,878	5,628
Finished goods	44,254	36,799
	-----	-----
	\$61,664	\$54,928
	=====	=====

Revenue Recognition

Revenues from equipment and disposable product sales and sales-type leases are recognized upon shipment. Service revenues are recognized ratably over the contractual periods or as the services are provided. The Company provides for the cost of warranty based on product shipments.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of the temporary differences between the tax and financial reporting bases of assets and liabilities.

Distribution Rights

Distribution rights represent the cost to reacquire the right to directly distribute certain of the Company's products in foreign markets. These rights were acquired in several different acquisitions. The historical cost of these acquisitions was approximately \$15,610,000 and \$13,900,000 as of March 28, 1998 and March 29, 1997, respectively. The distribution rights are amortized on a straight-line basis over 20 years. The accumulated amortization was approximately \$4,697,000 and \$3,253,000 for the years ended March 28, 1998 and March 29, 1997.

Accounting for Long-lived assets

The Company periodically reviews its long-lived assets for potential impairment. The Company assesses the future useful life of these assets, primarily property, plant, equipment and distribution rights, whenever events or changes in circumstances indicate that the current useful life has diminished. The Company considers the future undiscounted cash flows of these assets in assessing their recoverability. If impairment has occurred, any excess of carrying value over fair value is recorded as a loss. In the opinion of management, no impairment in the Company's long-lived assets has occurred, subsequent to the restructuring charge taken in the third quarter of the fiscal year 1998.

Accounting for Stock-Based Compensation

In December 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation," which became effective for the Company in fiscal 1997. SFAS No. 123 requires that employee stock-based compensation be recorded or disclosed at its fair value. The Company has elected to adopt the disclosure provision for stock-based compensation in SFAS No. 123 but to continue to account for stock-based compensation under APB No. 25. No accounting recognition is given to options granted at fair market value until they are exercised. Upon exercise, net proceeds, including tax benefits realized, are credited to equity.

New Pronouncements

In June 1997, The Financial Accounting Standards board issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". SFAS 130 requires the presentation, by major components and as a single total, the change in the Company's net assets during a period from non-owner sources. Currently, the Company's non-owner changes in equity are the foreign currency translation adjustments, which totaled (\$9.6) million, (\$6.2) million and \$7.4 million in 1998, 1997 and 1996, respectively. SFAS 131 requires companies to present

segment information using the management approach. The management approach is based upon the way that management organizes the segments within a Company for making operating decisions and assessing performance. SFAS 130 is effective for the Company in the first quarter of 1999 and SFAS 131 is effective for the Company's 1999 annual financial statements. Adoption of these standards will not impact the Company's consolidated financial position, results of operations or cash flows, and any effect will be limited to the form and content of its disclosures.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the 1998 presentation.

3. INVESTMENT IN SALES-TYPE LEASES

The Company leases equipment to customers under sales-type leases. The components of the Company's net investment in sales-type leases are as follows:

	March 28, 1998	March 29, 1997
----- (in thousands)		
Total minimum lease payments receivable	\$64,762	\$55,236
Less - Unearned interest	14,279	10,723

Net investment in sales-type leases	50,483	44,513
Less - Current portion	11,887	13,559

	\$38,596	\$30,954
	=====	

Future minimum lease payments receivable under noncancelable leases as of March 28, 1998 are as follows:

Fiscal Year Ending	(in thousands)

1999	\$17,661
2000	14,401
2001	11,653
2002	8,125
2003 and thereafter	12,922

	\$64,762
	=====

4. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following:

	March 28, 1998	March 29, 1997
----- (in thousands)		
Real estate mortgage	\$ 8,568	\$ 8,754
Borrowings under credit facilities	18,613	20,772
Senior notes	40,000	-
Non-U.S. long-term debt	3,873	-

	71,054	29,526
Less - Current portion	17,468	19,511

	\$53,586	\$10,015
	=====	

Real Estate Mortgage Agreement

The Company has a \$10,000,000 real estate mortgage agreement (the "Mortgage Agreement") with an insurance company. The Mortgage Agreement requires principal and interest payments of \$91,500 per month for a period of 120 months, commencing October 1, 1990, with the remaining unpaid principal balance and interest thereon due and payable on September 1, 2000. The entire balance of the loan may be repaid, subject to a prepayment premium equal to the greater of either 1% of the principal balance at prepayment, or an amount calculated based on the interest rate differential, the principal balance due and the remaining loan term. The Mortgage Agreement provides for interest to accrue on the unpaid principal balance at

a rate of 10.5% per annum. Borrowings under the Mortgage Agreement are secured by the land, building and improvements at the Company's headquarters and manufacturing facility. The Mortgage Agreement also includes minimum tangible net worth and current ratio requirements. The terms and conditions of this agreement remain unchanged for future periods.

Credit Facilities

U.S. borrowings are evidenced by a \$20,000,000 committed, unsecured revolving credit facility and a \$10,000,000 uncommitted, unsecured credit line. The committed facility is under a joint financing agreement dated June 25, 1997, which originally consisted of promissory notes for \$40,000,000 (the "Agreement"). On December 26, 1997 and April 30, 1998, the Agreement was amended and restated. The initial amendment to the Agreement included the withdrawal of two members of the original bank group eliminating each of their commitments of \$10,000,000. The amendments to the Agreement also included restatement of among other terms, interest rate options, as well as revisions to and additions of financial covenants. The current \$20,000,000 facility is available through June 25, 2000, on which date all borrowings become due. The uncommitted line is under a financing agreement dated August 12, 1997, and is available through July 31, 1998. As of March 28, 1998 neither the credit facility nor the uncommitted line had outstanding borrowings.

At the Company's option, the interest rate per annum applicable to the revolving credit facility is based on (a) the bank's prime rate, (b) the Euro-Rate plus the applicable margin or (c) the Federal Funds Rate plus the applicable margin. The applicable margin ranges from 0.45% to 0.65%. The Agreement provides for a commitment fee ranging from 0.20% to 0.35% of the undrawn portion of the commitments based upon the company's ratio of consolidated total indebtedness to consolidated tangible net worth. Interest rates on the uncommitted line are a function of rates in effect on the date of the borrowing.

Non-U.S. borrowings represent the financing arranged by the Company's subsidiaries with local banks which may be guaranteed by the Company. The majority of the amounts outstanding as of March 28, 1998 are short-term in nature.

The weighted average short-term rates for U.S. and non-U.S. borrowings were 1.77%, 1.69% and 5.47% as of March 28, 1998, March 29, 1997 and March 30, 1996, respectively.

Senior Notes

Haemonetics Corporation privately placed \$40,000,000 of 7.05% Senior Notes due 2007 (the "Senior Notes"). The proceeds were used to repay outstanding bank debt incurred previously using credit facilities and for general corporate purposes. The Company is required to make annual prepayments of principal each year in the amount \$5,714,286 beginning on October 15, 2001 and concluding with the final principal payment on October 15, 2007.

Interest on the Senior Notes is computed on the basis of a 360-day year of twelve 30-day months on the unpaid balance at the rate of 7.05% per annum, payable semiannually, on April 15 and October 15 each year. The Senior Notes contain affirmative and negative covenants and restrictions similar to those required under the terms of the revolving credit facility. The Company obtained a limited waiver through April 3, 1999 to a covenant of the Senior Notes which required the Company to maintain consolidated stockholders equity of \$200 million. The Company expects to be in compliance with the covenant prior to the expiration of the limited waiver.

Non-U.S. Long Term Debt

On March 27, 1998, Haemonetics Japan Limited secured a term loan in the amount of JPY 500.0 million. This loan bears interest at a rate of 2.125%, and matures on March 29, 2000. As of March 28, 1998, the U.S. dollar equivalent for this balance was \$3.8 million.

As of March 28, 1998, notes payable and long-term debt mature as follows:

Fiscal Years Ending -----	(in thousands)
1999	\$17,468
2000	5,439
2001	8,147
2002	5,714
2003 and thereafter	34,286

	\$71,054
	=====

5. INCOME TAXES

The components of domestic and foreign income from continuing operations before the provision for income taxes are as follows:

	Years Ended		
	March 28, 1998	March 29, 1997	March 30, 1996
	(in thousands)		
Domestic	\$1,123	\$43,505	\$45,941
Foreign	3,343	11,300	12,234
	<u>\$4,466</u>	<u>\$54,805</u>	<u>\$58,175</u>

The provision for income taxes from continuing operations consists of the following components:

	Years Ended		
	March 28, 1998	March 29, 1997	March 30, 1996
	(in thousands)		
Current			
Federal	\$1,031	\$14,856	\$16,565
State	125	2,286	2,390
Foreign	3,047	2,329	2,303
	<u>4,203</u>	<u>19,471</u>	<u>21,258</u>
Deferred			
Federal	(316)	(1,998)	(980)
State	(50)	(137)	(154)
Foreign	28	1,835	227
	<u>(338)</u>	<u>(300)</u>	<u>(907)</u>
	<u>\$3,865</u>	<u>\$19,171</u>	<u>\$20,351</u>

Included in the federal and state income tax provisions for fiscal years 1998, 1997 and 1996 are approximately \$333,000, \$2,247,000 and \$3,209,000, respectively, provided on foreign source income of approximately \$2,375,000 in 1998, \$6,419,000 in 1997 and \$9,169,000 in 1996, taxes on which are payable in the United States.

The total provision for income taxes included in the consolidated financial statements was as follows:

	Years Ended		
	March 28, 1998	March 29, 1997	March 30, 1996
	(in thousands)		
Continuing operations	\$ 3,865	\$19,171	\$20,351
Discontinued operations	(13,663)	(1,433)	(1,022)
	<u>\$ (9,798)</u>	<u>\$17,738</u>	<u>\$19,329</u>

The tax effect of significant temporary differences composing the net deferred tax asset (liability) is as follows:

	Years Ended	
	March 28, 1998	March 29, 1997
	(in thousands)	
Discontinued operations	\$ 9,800	\$ -
Depreciation	(11,594)	(9,691)
Amortization	(3,348)	(3,535)
Inventory	12,079	12,221
Accruals and reserves	5,690	2,138
Other	(794)	387

Total net deferred taxes	\$ 11,833	\$ 1,520
	=====	=====

The provision for income taxes from continuing operations differs from the amount computed by applying the statutory U.S. federal income tax rate of 35% in 1998, 1997 and 1996 due to the following:

	Years Ended		
	March 28, 1998	March 29, 1997	March 30, 1996

	(in thousands)		
Tax at federal statutory rate	\$1,563	\$19,181	\$20,362
Difference due to:			
Foreign sales corporation	-	(1,605)	(1,268)
Difference between U.S. tax rate and tax rates used in other tax jurisdictions	1,904	167	147
State taxes, net of federal income tax benefit	49	1,403	1,355
Other, net	349	25	(245)

	\$3,865	\$19,171	\$20,351
	=====		

6. COMMITMENTS AND CONTINGENCIES

The Company leases facilities and certain equipment under operating leases expiring at various dates through fiscal year 2013. Facility leases require the Company to pay certain insurance expenses, maintenance costs and real estate taxes.

For continuing operations, approximate future basic rental commitments under operating leases as of March 28, 1998 are as follows:

Fiscal Year Ending	(in thousands)

1999	\$ 3,208
2000	2,822
2001	2,198
2002	1,804
2003 and thereafter	4,055

	\$14,087
	=====

Rent expense for continuing operations in 1998, 1997, and 1996 was \$3,078,000, \$2,486,000, and \$4,219,000, respectively.

The Company is presently engaged in various legal actions, and although ultimate liability cannot be determined at the present time, the Company believes, based on consultation with counsel, that any such liability will not materially affect the consolidated financial position of the Company or its results of operations.

7. CAPITAL STOCK

Treasury Stock

During 1998 and 1997, the Company repurchased 318,700 shares and 902,100 shares respectively, of its outstanding common stock at average prevailing prices of \$17.44 and \$17.46, respectively. The Company expects any repurchased shares to be made available for issuance pursuant to its employee benefit and incentive plans and for other corporate purposes.

Stock Plans

The Company has a long-term incentive stock option plan under which a maximum of 3,438,231 shares of the Company's common stock may be issued pursuant to incentive and or non-qualified stock options and stock awards granted to key employees, consultants and advisers (the "Long-Term Incentive Plan"). The Long-Term Incentive Plan is administered by the Compensation Committee of the Board of Directors (the "Committee") consisting of two or more disinterested members of the Company's Board of Directors. The exercise price for non-qualified options granted under the Long-Term Incentive Plan is determined by the Committee, but in no event shall such option price be less than 50% of the fair market value of the common stock at the time the option is granted. Incentive options may be granted at a price not less than fair market value on the date of grant. Options become exercisable in a manner determined by the Committee, generally between four and seven years, and incentive options expire not more than ten years from the date of the grant. There were 753,054 shares available for future grant at March 28, 1998.

The Company also has a non-qualified stock option plan for non-employee directors for the purchase of common stock (the "Non-employee Plan"). Under the Non-employee Plan, a maximum of 6,000 shares can be granted to each director, not to exceed 24,000 shares per calendar year, and a maximum of 86,000 shares in aggregate. Options are granted at not less than fair market value on the date of grant, vest over 4 years and expire not more than ten years from the date of grant. There were no shares available for future grant at March 28, 1998 under this plan. A new stock option plan for Non-Employee Directors will be voted on at the shareholder's meeting on July 22, 1998.

The Company also has a stock option plan which grants options to key employees for the purchase of common stock (the "Option Plan"). The Option Plan is administered by the Committee, which is empowered to grant either non-qualified or incentive stock options. Under the Option Plan, options to purchase up to 1,468,800 shares may be granted at a price, in the case of incentive options, not less than fair market value on the date of grant. Options become exercisable in a manner determined by the Committee, generally over 4 or 5 years, and incentive options expire not more than ten years from the date of grant. At the year ended March 28, 1998 there were 1,550 shares available for future grant.

During 1998, the Board of Directors approved a stock option re-pricing to \$18.000 per share. On the date of the repricing, the fair market value of the Company's common stock was less than the option exercise price; therefore no compensation expense was recognized. The re-pricing affected options to purchase 387,876 shares of common stock held by optionees other than members of the CEO's staff. The options were originally priced between \$18.375 and \$24.5625 with a weighted average price of \$21.1536.

The Company has an Employee Stock Purchase Plan (the "Purchase Plan") under which a maximum of 289,200 shares (subject to adjustment for stock splits and similar changes) of common stock may be purchased by eligible employees. Substantially all full-time employees of the Company are eligible to participate in the Purchase Plan.

The Purchase Plan provides for two "purchase periods" within each of the Company's fiscal years, the first commencing on January 1 of each calendar year and continuing through June 30 of such calendar year, and the second commencing on July 1 of each year and continuing through December 31 of such calendar year. Eligible employees may elect to become participants in the Purchase Plan for a purchase period by completing a stock purchase agreement prior to the first day of the purchase period for which the election is made. Shares are purchased through accumulation of payroll deductions (of not less than 2% nor more than 8% of compensation, as defined) for the number of whole shares determined by dividing the balance in the employee's account on the last day of the purchase period by the purchase price per share for the stock determined under the Purchase Plan. The purchase price for shares will be the lower of 85% of the fair market value of the common stock at the beginning of the purchase period, or 85% of such value at the end of the purchase period.

During the fiscal year ended March 28, 1998, due to limited share availability, the Company abbreviated the first buying period of fiscal 1999, ending it on February 21, 1998. Consequently, fiscal 1998, has three buying periods as compared to two. The Plan has been subsequently terminated. A new Employee Stock Purchase Plan will be voted on at the shareholders meeting on July 22, 1998.

During 1998, there were 39,082 shares purchased at a range of \$11.90 to \$15.94 per share under the Purchase Plan. During 1997, there were 33,181 shares purchased at a range of \$15.09 to \$15.51 per share under the Purchase Plan.

The Company accounts for these plans under APB Opinion No. 25, under which no compensation cost has been recognized for options granted at fair market value. Had the compensation cost for these plans been determined consistent with the SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been the following pro forma amounts:

		1998	1997

Net Income:	As Reported	\$(24,772,000)	\$32,970,000
	Pro Forma	\$(28,071,000)	\$31,526,000
Basic EPS:	As Reported	(0.93)	1.21
	Pro Forma	(1.06)	1.16
Diluted EPS:	As Reported	(0.93)	1.20
	Pro Forma	(1.06)	1.15

For purposes of the pro forma disclosure, the fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Volatility	28.5%	28.3%
Risk-Free Interest Rate	6.6%	6.5%
Expected Life of Options	7 yrs.	7 yrs.

The weighted average grant date fair value of options granted during 1998 and 1997 was approximately \$7.663 and \$8.223, respectively.

The fair values of shares purchased under the Employee Stock Purchase Plan is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	1998	1997
Volatility	27.8%	28.3%
Risk-Free Interest Rate	5.5%	5.3%
Expected Life of Options	5 mos.	6 mos.

The weighted average grant-date fair value of options granted under the Purchase Plan was \$4.13 in 1998 and \$4.34 in 1997.

The effects of applying SFAS No. 123 for the purposes of providing pro forma disclosures may not be indicative of the effects on reported net income per share for future years, as the pro forma disclosures include the effects of only those awards granted after April 2, 1995.

A summary of stock option activity for the combined plans for the three years ended March 28, 1998 is as follows:

	Number of Shares	Weighted Average Exercise Price per Share
Outstanding at April 1, 1995	2,202,612	\$14.464
Granted	652,079	\$16.989
Exercised	(367,488)	\$ 6.218
Terminated	(142,992)	\$16.528
Outstanding at March 30, 1996	2,344,211	\$16.333
Granted	595,425	\$18.018
Exercised	(468,004)	\$ 8.775
Terminated	(208,601)	\$17.239
Outstanding at March 29, 1997	2,263,031	\$18.231
Granted	1,918,871	\$17.103
Exercised	(103,298)	\$14.959
Terminated	(1,184,030)	\$18.891
Outstanding at March 28, 1998	2,894,574	\$17.450

The following table summarizes information about stock options outstanding at March 28, 1998:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at 3/28/98	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 3/28/98	Weighted Average Exercise Price
\$14.4375 to \$17.0000	1,177,490	8.13	\$16.1634	330,491	\$15.8926
\$17.4375 to \$18.0000	1,267,241	7.79	\$17.7665	393,726	\$17.9972
\$18.3750 to \$24.5625	449,843	6.06	\$19.9253	327,343	\$20.3015
Total	2,894,574	7.66	\$17.4499	1,051,560	\$18.0531

Shareholders Rights Agreement

In April, 1998, the Board of Directors adopted a shareholder rights plan (the Plan). The Plan is intended to help ensure that all Haemonetics shareholders receive fair and equal treatment in the event of any proposed takeover of Haemonetics and to guard against abusive takeover tactics which do not offer all stockholders a fair price. The Plan entails a dividend of one right for each outstanding share of the Company's common stock. These rights, which expire in 2008, entitle their holders to purchase from the Company, one share of common stock, par value \$0.01 for a cash exercise price of \$90 per share, subject to adjustment. The rights are represented by and traded with the Company's common stock. There are no separate certificates or market for the rights. The rights will trade separately from the common stock and will become exercisable after a person or group has acquired or announced an intent to make an offer to acquire 15% or more of the outstanding common stock of the Company. A person or group that acquires shares of common stock pursuant to a tender or exchange offer which is for all outstanding shares of common stock at a price and on terms which a majority of the outside Directors determines to be fair and in the best interest of the Company and its stockholders will not be deemed to be an acquiring person and such ownership will not trigger the exercisability of the rights. The rights are redeemable by the Board of Directors at a price of \$0.01 per right any time before a person or group acquires 15% or more of the outstanding common stock or before the expiration of the rights.

In the event the rights become exercisable, each holder will have the right ("flip in right") to receive, upon exercise, the number of shares of common stock having a value equal to two times the aggregate exercise price of \$90 per right. Additionally, the Board of Directors, at its option, may exchange each right for one share of common stock in lieu of the flip in right, provided that no one person is the beneficial owner of more than 50% or more of the outstanding shares of common stock at the time of such exchange. In the event the Company is acquired in a merger or other business combination, whereby more than 50% of the Company's assets or earnings power is sold, each holder of rights shall have the right ("flip over right") to receive, upon exercise, shares of common stock of the acquiring Company having a value equal to two times the aggregate exercise price of \$90 per right.

8. SAVINGS PLUS PLAN

The Company's Savings Plus Plan is a 401k plan which allows employees to accumulate savings on a pretax basis. In addition, the Company makes matching contributions to the Plan based upon preestablished rates. The Company can also make additional discretionary contributions if approved by the Board of Directors. The Company's matching contributions amounted to approximately \$641,000, \$660,000 and \$616,000 in 1998, 1997, and 1996, representing a dollar for dollar match up to \$1,000 per participant per Plan year. On May 1, 1998, the Board of Directors approved a change to the matching calculation which will take effect during FY99. The new formula is a dollar for dollar match up to 6% of earnings (capped at \$100,000) per participant per Plan year.

The Board of Directors declared discretionary contributions of approximately \$1,100,000 for the Savings Plan years ended March 28, 1998 and March 30, 1996. No discretionary contribution was made for the Savings Plan year ended March 29, 1997.

The Company has no material obligation for postretirement or postemployment benefits.

9. TRANSACTIONS WITH RELATED PARTIES

The Company advances money to various employees for relocation costs and incentive purposes. Loans to employees, which are included in other assets, amounted to approximately \$476,000 as of March 28, 1998 and \$593,000 as of March 29, 1997, and are payable within five years. Certain loans are interest-bearing, and the Company records interest income on these loans when collected. Certain loans have forgiveness provisions based upon continued service or compliance with various guidelines. The Company amortizes the outstanding loan balance as a charge to operating expense as such amounts are forgiven.

10. ACQUISITION OF BLOOD CENTERS

During the second quarter of 1998, the Company purchased substantially all of the assets of three blood centers; Tri-Counties Blood Bank, Kansas Blood Services and Gateway Blood Services. Each of these acquisitions was accounted for using the purchase method of accounting, and accordingly, the results of operations for each acquisition were included in the consolidated results of the Company from the respective acquisition dates. The purchase price for the acquisitions, approximated \$10.5 million and exceeded the underlying fair value of the net assets acquired by \$4.9 million which has been assigned to goodwill. As further discussed in footnote 12, the Company has decided to discontinue its operations in the blood bank services business. The assets remaining after recording the loss on disposal are included on the accompanying consolidated balance sheet.

11. RESTRUCTURING CHARGE

The Company recorded a restructuring charge of \$24.5 million related to the restructuring plans announced by the Company during the third quarter of fiscal 1998. The Company made a decision not to undertake certain rework and to terminate the manufacture of certain products. Additionally, certain products, which would have required additional investments to continue their useful lives, will no longer be supported. The Company also identified

certain operations, which it has closed or partially closed, resulting in losses associated with the abandonment of certain leases and fixed assets, and the termination of certain employees.

The \$24.5 million charge consists of \$8.6 million related to the write-off of certain disposable and equipment inventories. These inventories and equipment were scrapped or abandoned in conjunction with decisions to discontinue a disposable rework program, and to exit certain product lines. The Company also recorded charges of \$3.8 million related to the cost of exiting certain long term supply commitments for products which the Company no longer plans to resell or use in its operations. Other assets totaling \$3.8 million were written off which represent certain strategic investments in non-core businesses which the Company no longer intends to pursue. The Company charged \$2.1 million which was related to reserves for severance and other contractual obligations. These reserves and other restructuring costs discussed above were provided in accordance with Emerging Issues Task Force Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". Finally, an additional \$6.2 million related to the write down of certain property, plant and equipment, principally older generation commercial plasma equipment, which the Company no longer intends to support. This write down was computed using management's estimate of future cash flows to be provided by the equipment, and the costs to service the equipment, consistent with SFAS No. 121, "Impairment of Long Lived Assets".

12. DISCONTINUED OPERATIONS

On May 1, 1998, the Board of Directors announced a plan to discontinue the Company's Blood Bank Services Business, ("BBMS"). Accordingly, the operating results for BBMS have been segregated from the results for the continuing operations and reported as a separate line on the consolidated statements of income for all periods presented.

The operating losses for BBMS are detailed as follows:

	Years Ended		
	March 28, 1998	March 29, 1997	March 30, 1996
	(in thousands)		
Net Revenues	\$ 18,046	\$ 6,808	\$ 1,746
Gross Profit	(189)	598	611
Operating expenses:			
Research and Development	364	388	363
Selling, general and administrative	10,228	4,265	3,121
Total operating expenses	10,592	4,653	3,484
Operating loss	(10,781)	(4,055)	(2,873)
Other income(expense), net	(255)	(42)	(48)
Taxes	(3,863)	(1,433)	(1,022)
Net loss	\$ (7,173)	\$ (2,664)	\$ (1,899)

Other income(expense) includes an allocation of corporate interest expense of approximately \$255,000, \$42,000 and \$48,000, in 1998, 1997 and 1996 respectively. The allocation of corporate interest was calculated based upon the percentage of net assets of BBMS to total domestic assets.

The net loss on disposal of \$18,200,000 million includes a provision for estimated losses after taxes for BBMS of \$5,195,000 from March 30, 1998 through disposal.

The remaining net assets of BBMS included in the consolidated balance sheet for March 28, 1998 and March 29, 1997 are as follows:

	March 28, 1998	March 29, 1997
	(in thousands)	
Current Assets	\$ 5,167	\$ 1,478
Net property, plant and equipment	8,217	8,383
Other assets	39	894
Total assets	\$13,423	\$10,755
Current liabilities and accrued losses	\$15,760	\$ 1,209
Other long-term liabilities	1,450	1,863
Total liabilities	\$17,210	\$ 3,072

13. GEOGRAPHIC AND CUSTOMER INFORMATION

The Company operates in one industry segment consisting of the design, manufacture, marketing and service of blood processing systems and related disposable items for use in the collection and processing of blood components, collection of plasma and salvage of shed blood that would otherwise be lost during surgical procedures. Geographic area information for Continuing Operations for 1998, 1997 and 1996 is as follows:

	Geographic Area			Consolidated
	Domestic	Europe & All Other	Far East & Japan	
	(in thousands)			
Year ended March 28, 1998:				
Net revenues	\$ 93,104	\$91,744	\$100,914	\$285,762
Income before provision for income taxes	\$ (9,728)	\$ 8,178	\$ 6,016	\$ 4,466
Identifiable assets	\$227,207	\$67,844	\$ 41,642	\$336,693
Year ended March 29, 1997:				
Net revenues	\$110,023	\$97,026	\$ 95,960	\$303,009
Income before provision for income taxes	\$ 31,162	\$15,206	\$ 8,437	\$ 54,805
Identifiable assets	\$212,338	\$71,791	\$ 36,345	\$320,474
Year ended March 30, 1996:				
Net revenues	\$106,406	\$78,423	\$ 91,641	\$276,470
Income before provision for income taxes	\$ 39,179	\$11,063	\$ 7,933	\$ 58,175
Identifiable assets	\$166,494	\$82,598	\$ 38,449	\$287,541

Intercompany transfers to foreign subsidiaries are transacted at prices intended to allow the subsidiaries comparable earnings to those of unaffiliated distributors. Sales to unaffiliated distributors and customers outside the United States, including U.S. export sales, were approximately \$194,857,000 in 1998, which represented 68% of net revenue; \$194,849,000 in 1997, which represented 64% of net revenues and \$171,410,000 in 1996, which represented 62% of net revenues.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of Haemonetics Corporation:

We have audited the accompanying consolidated balance sheets of Haemonetics Corporation (a Massachusetts corporation) and subsidiaries as of March 28, 1998 and March 29, 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 28, 1998. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Haemonetics Corporation and subsidiaries as of March 28, 1998 and March 29, 1997, and the results of their operations and their cash flows for each of the three years in the period ended March 28, 1998, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedule listed in item 14 (a) is the responsibility of the Company's management and is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not a required part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) The information concerning the Company's directors and concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 required by this Item is incorporated by reference to the Company's Proxy Statement for the Annual Meeting to be held July 22, 1998.

(b) The information concerning the Executive Officers of the Company, who are elected by and serve at the discretion of the Board of Directors, is as follows:

JAMES L. PETERSON joined Haemonetics in 1980 as Director of European Operations. In 1982, he was promoted to Vice President and in 1988, to Executive Vice President. In 1994, Mr. Peterson was promoted to President, International Operations. In January, 1998 Mr. Peterson was elected President and Chief Executive Officer by the Board of Directors. Prior to joining Haemonetics he was employed by Hewlett-Packard Company in Europe and was responsible for its medical sales and service operation. Mr. Peterson has been a member of Haemonetics' Board of Directors since 1985 and was elected to the position of Vice Chairman of Haemonetics' Board of Directors in April, 1994.

THOMAS A. ASLAKSON joined Haemonetics in 1986 and has served in many capacities with increasing responsibility. These positions include Cell Saver 4 Product Manager, Government Contracts Administrator, National Accounts Manager, Director of Field Service, Director of Marketing and Director of Quality Assurance. In 1994, Mr. Aslakson was promoted to Vice President of Quality Assurance for Pittsburgh and Braintree. In December, 1997, Mr. Aslakson was promoted to President, Surgical Business Division. Prior to joining Haemonetics Mr. Aslakson was employed with Cobe Laboratories, Lakewood, Colorado.

BRUNO DEGLAIRE joined Haemonetics' European Operation in 1987 as Director of Haemonetics International Finance and Administration. In 1993, Mr. Deglaire was promoted to Director of European Marketing and Product Development. In 1996, he was named Vice President of European Field Operations. In February 1998, Mr. Deglaire was appointed to the position of President, Europe and Asian Field Operations. Prior to joining Haemonetics Mr. Deglaire held various positions of increasing responsibility at Dupont de Nemours in Geneva, Switzerland.

MICHAEL P. MATHEWS joined Haemonetics in 1987 as Vice President, Quality Assurance. In 1990, Mr. Mathews assumed the position of Vice President of Sales and Marketing. In 1991, Mr. Mathews resumed the position of Vice President, Quality Assurance. In 1994, Mr. Mathews was promoted to Senior Vice President, Quality Assurance and Solutions Development. In April 1996, Mr. Mathews was promoted to Executive Vice President. In February 1998, Mr. Mathews was promoted to President, Blood Banks Division. From 1985 until joining Haemonetics Mr. Mathews served in various management positions with V. Mueller, a Division of Baxter International, Inc., Niles, Illinois.

YUTAKA SAKURADA, Ph.D. joined Haemonetics in 1991 as President of Haemonetics Japan and Vice President of Haemonetics Corporation. In April 1995, Dr. Sakurada was promoted to Senior Vice President of Haemonetics Corporation. Prior to joining Haemonetics, Dr. Sakurada was employed by Kuraray Plastics Co., Ltd. in Japan, where he was responsible for the planning, development, and establishment of medical products business. Dr. Sakurada has been a member of the Haemonetics Board of Directors since joining Haemonetics in 1991.

RONALD J. RYAN joined Haemonetics in February, 1998 as Senior Vice President and Chief Financial Officer. Prior to joining Haemonetics Mr. Ryan was employed by Converse Inc., North Reading, Massachusetts, where his most recent position was Senior Vice President of Operations. Previously, Mr. Ryan was Senior Vice President of Finance and Administration and Chief Financial Officer. Prior to Converse, Inc., Mr. Ryan was employed with Bristol-Myers Squibb as Vice President of Finance and Business Planning for the Europe, Middle East and Africa Divisions. Prior to Bristol-Myers Squibb Mr. Ryan was Vice President of Planning and Control, International, at American Can Company.

ROBERT EBBELING joined Haemonetics in 1987 as Manager of Injection Molding and in December 1987 he became Manager, Molding and Lapping. In April 1988, Mr. Ebbeling was promoted to Manager, Bowls, Molding, and Lapping. In April, 1989 he became Director, Disposables Manufacturing. In January 1994, Mr. Ebbeling was promoted to Vice President, US Disposables Manufacturing. In April, 1995 he was named Vice President, Disposables Manufacturing. In August, 1996, Mr. Ebbeling was promoted to Senior Vice President, Manufacturing. Prior to joining Haemonetics, Mr. Ebbeling was Vice President, Manufacturing, for Data Packaging Corporation, Somerset, Massachusetts.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to

the Company's Proxy Statement for the Annual Meeting to be held July 22, 1998.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the Company's Proxy Statement for the Annual Meeting to be held July 22, 1998.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

The following documents are filed as a part of this report:

(a) Financial Statements are included in Part II of this report

Financial Statements required by Item 8 of this Form

Consolidated Balance Sheets	19
Consolidated Statements of Operations	20
Consolidated Statements of Stockholders' Equity	21
Consolidated Statements of Cash Flows	22
Notes to Consolidated Financial Statements	23
Report of Independent Public Accountants	39

Schedules required by Article 12 of Regulation S-X

II Valuation and Qualifying Accounts	46
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All other schedules have been omitted because they are not applicable or not required.

(b) Reports on Form 8-K

None

(c) Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index at page 44, which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ SIR STUART BURGESS

Sir Stuart Burgess
Chairman

By: /s/ JAMES L. PETERSON

James L. Peterson, President
and Chief Executive Officer

June 12, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ SIR STUART BURGESS ----- Sir Stuart Burgess	Chairman of the Board	June 12, 1998
/s/ JAMES L. PETERSON ----- James L. Peterson	President and Chief Executive Officer Director	June 12, 1998
/s/ RONALD J. RYAN ----- Ronald J. Ryan	Sr. Vice President of Finance and Chief Financial Officer, (Principal Financial and Accounting Officer)	June 12, 1998
/s/ YUTAKA SAKURADA ----- Yutaka Sakurada	Sr. Vice President Haemonetics Corp. and President, Haemonetics Japan Director	June 12, 1998

/s/ BENJAMIN L. HOLMES Director

Benjamin L. Holmes

June 12, 1998

/s/ JERRY E. ROBERTSON Director

Jerry E. Robertson

June 12, 1998

/s/ DONNA C. E. WILLIAMSON Director

Donna C. E. Williamson

June 12, 1998

EXHIBITS FILED WITH SECURITIES AND EXCHANGE COMMISSION

Number and Description of Exhibit

3. Articles of Organization
- 3A* Articles of Organization of the Company effective August 29, 1985, as amended December 12, 1985 and May 21, 1987 (filed as Exhibit 3A to the Company's Form S-1 No. 33-39490 and incorporated herein by reference).
- 3B* Form of Restated Articles of Organization of the Company (filed as Exhibit 3B to the Company's Form S-1 No. 33-39490 and incorporated herein by reference).
- 3C* By-Laws of the Company presently in effect (filed as Exhibit 3C to the Company's Form 10-K No. 1-10730 for the year ended April 3, 1993 and incorporated herein by reference).
- 3D* Articles of Amendment to the Articles of Organization of the Company filed May 8, 1991 with the Secretary of the Commonwealth of Massachusetts (filed as Exhibit 3E to the Company's Amendment No. 1 to Form S-1 No. 33-39490 and incorporated herein by reference).
4. Instruments defining the rights of security holders
- 4A* Specimen certificate for shares of common stock (filed as Exhibit 4B to the Company's Amendment No. 1 to Form S-1 No. 33-39490 and incorporated herein by reference).
10. Material Contracts
- 10A* The 1990 Stock Option Plan, as amended (filed as Exhibit 4A to the Company's Form S-8 No. 33-42006 and incorporated herein by reference).
- 10B* Form of Option Agreements for Incentive and Non-qualified Options (filed as Exhibit 10B to the Company's Form S-1 No. 33-39490 and incorporated herein by reference).
- 10C* Distribution Agreement dated April 11, 1990 between Baxter Healthcare Corporation, acting through its Bentley Laboratories Division, and the Company (filed as Exhibit 10C to the Company's Form S-1 No. 33-39490 and incorporated herein by reference).
- 10D* Supply Agreement between the Company and Alpha Therapeutic Corporation dated December, 1988 (filed as Exhibit 10E to the Company's Form S-1 No. 33-39490 and incorporated herein by reference).
- 10E* Sublease dated October 29, 1992 between Clean Harbors of Kingston, Inc. and the Company (filed as Exhibit 10F to the Company's Form 10-K No. 1-10730 for the year ended April 3, 1993 and incorporated herein by reference).
- 10F* Note and Mortgage dated August 7, 1990 between the Company and John Hancock Mutual Life Insurance Company relating to the Braintree facility (filed as Exhibit 10H to the Company's Form S-1 No. 33-39490 and incorporated herein by reference).
- 10G* Credit Facility with Swiss Bank Corporation (filed as Exhibit 10J to the Company's Amendment No. 1 to Form S-1 No. 33-39490 and incorporated herein by reference).
- 10H* Lease dated July 17, 1990 between the Buncher Company and the Company of property in Pittsburgh, Pennsylvania (filed as Exhibit 10K to the Company's Form S-1 No. 33-39490 and incorporated herein by reference).
- 10I* Lease dated July 3, 1991 between Wood Road Associates II Limited Partnership and the Company for the property adjacent to the main facility in Braintree, Massachusetts (filed as Exhibit 10M to the Company's Form 10-K No. 1-10730 for the year ended March 28, 1992 and incorporated herein by reference).
- 10J* Amendment No. 1 to Lease dated July 3, 1991 between Wood Road Associates II Limited Partnership and the Company for the child care facility (filed as Exhibit 10N to the Company's Form 10-K No. 1-10730 for the year ended March 28, 1992 and incorporated herein by reference).
- 10K* Bank Overdraft Facility between The Sumitomo Bank and the Company with an annual renewal beginning February 28, 1993 (filed as Exhibit 100 to the Company's Form 10-K No. 1-10730 for the year ended March 28, 1992 and incorporated herein by reference).
- 10L* Bank Overdraft Facility between The Mitsubishi Bank and the Company with an annual renewal beginning June 30, 1993 (filed as Exhibit 10P to the Company's Form 10-K, No. 1-10730 for the year ended March 28, 1992 and incorporated herein by reference).
- 10M* Short-term Loan Agreement between The Mitsubishi Bank and the Company renewable every three months (filed as Exhibit 10Q to the Company's Form 10-K No. 1-10730 for the year ended March 28, 1992 and incorporated herein by reference).
- 10N* Amendment No. 2 to Lease dated July 3, 1991 between Wood Road Associates II Limited Partnership and the Company (filed as Exhibit 10S to the Company's Form 10-K No. 1-10730 for the year

ended April 3, 1993 and incorporated herein by reference).

- 100* Real Estate purchase agreement dated May 1, 1994 between 3M UK Holding PLC and the Company (filed as Exhibit 10AA to the Company's Form 10-K No. 1-10730 for the year ended April 1, 1995 and incorporated herein by reference).
- 10P* Real Estate purchase agreement dated September 30, 1994 between The Midland Mutual Life Insurance Company and the Company (filed as Exhibit 10AB to the Company's Form 10-K No. 1-10730 for the year ended April 1, 1995 and incorporated herein by reference).
- 10Q* Purchase agreement dated October 1, 1994 between Kuraray Co. and the Company (filed as Exhibit 10AC to the Company's Form 10-K No. 1-10730 for the year ended April 1, 1995 and incorporated herein by reference).
- 10R* Asset Purchase Agreement dated as of July 18, 1995 between DHL Laboratories and the Company (filed as Exhibit 10AF to the Company's Form 10-K No. 1-10730 for the year ended March 30, 1996 and incorporated herein by reference).
- 10S* First Amendment to lease dated July 17, 1990 between Buncher Company and the Company of property in Pittsburgh, Pennsylvania (filed as Exhibit 10AI to the Company's Form 10-Q No. 1-10730 for the quarter ended December 28, 1996 and incorporated herein by reference).
- 10T* Revolving Credit Agreement among Mellon Bank, N.A., the First National Bank of Boston and Haemonetics Corporation dated as of October 1, 1996. (filed as Exhibit 10AE to the Company's Form 10-K No. 1-10730 for the year ended March 29, 1997 and incorporated herein by reference).
- 10U* Amendment, dated April 18, 1997 to the 1992 Long-Term Incentive Plan (filed as Exhibit 10V to the Company's Form 10-K No. 1-10730 for the year ended March 29, 1997 and incorporated herein by reference).
- 10V* \$40,000,000 Revolving Credit Facility Among Mellon Bank, N.A. For Itself and as Agent BankBoston, N.A. and The Sanwa Bank, Limited to Haemonetics Corporation. (filed as Exhibit 10A to the Company's Form 10-Q No. 1-10730 for the quarter ended June 28, 1997 and incorporated herein by reference).
- 10W* Note Purchase agreements, dated October 15, 1997 whereby Haemonetics Corporation authorized sale of \$40,000,000, 7.05% Senior Notes due October 15, 2007. (filed as Exhibit 10A to the Company's Form 10-Q No. 1-10730 for the quarter ended September 27, 1997 and incorporated herein by reference).
- 10X* First Amendment, dated December 26, 1997 to the Revolving Credit Agreement, dated June 25, 1997, among Haemonetics Corporation and Mellon Bank N.A. (filed as Exhibit 10A to the Company's Form 10-Q No. 1-10730 for the quarter ended December 27, 1997 and incorporated herein by reference).
- 10Y Second Amendment, dated April 30, 1998 to the Revolving Credit Agreement, dated June 25, 1997, among Haemonetics Corporation and Mellon Bank N.A.
- 10Z 1998 Employee Stock Purchase Plan
- 10AA 1998 Stock Option Plan for Non-Employee Directors
- 10AB Lease, dated July 29, 1997 between New Avon Limited Partnership and the Company for the property in Avon, Massachusetts.
- 10AC Limited waiver under Note Purchase Agreements, dated April 30, 1998.
21. Subsidiaries of the Company
23. Consent of the Independent Public Accountants
- 27 Financial Data Schedule

- - - - -
* Incorporated by reference.

(All other exhibits are inapplicable.)

SCHEDULE II

HAEMONETICS CORPORATION

VALUATION AND QUALIFYING ACCOUNTS (in thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Write-Offs (Net of Recoveries)	Balance at End of Period
Allowance for Doubtful Accounts				
For the Year Ended March 28, 1998	\$961	\$263	\$(406)	\$818
For the Year Ended March 29, 1997	984	431	(454)	961
For the Year Ended March 30, 1996	681	321	(18)	984

SECOND AMENDMENT TO REVOLVING CREDIT AGREEMENT

This Second Amendment to Revolving Credit Agreement (the or this "Second Amendment") is made as of this 30 day of April, 1998 by and between HAEMONETICS CORPORATION (the "Borrower"), a Massachusetts corporation, and MELLON BANK, N.A., a national banking association (the "Agent").

NOW, THEREFORE, for the promises herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

I. Background

As of June 25, 1997, the Borrower and the Banks entered into a revolving loan arrangement of up to Forty Million Dollars (\$40,000,000) (the "Original Loan"). The Original Loan was evidenced by three promissory notes: a \$20,000,000 note dated June 25, 1997 made by the Borrower to the order of Mellon Bank, N.A., a \$10,000,000 note dated June 25, 1997 made by the Borrower to the order of BankBoston, N.A. and a \$10,000,000 note dated June 25, 1997 made by the Borrower to the order of The Sanwa Bank, Limited (collectively, the "Notes"). The Borrower and the Banks entered into a revolving credit agreement dated as of June 25, 1997 (the "Original Credit Agreement").

BankBoston, N.A. and The Sanwa Bank, Limited have withdrawn from the bank group and each of their commitments of Ten Million Dollars \$10,000,000.00 have been eliminated. The total Commitment (as defined in the Original Loan Agreement) is, on the date hereof, Twenty Million Dollars (\$20,000,000.00), which is held by Mellon Bank, N.A. ("Mellon"). The Borrower has no credit available hereunder in excess of Twenty Million Dollars (\$20,000,000.00).

The Borrower and the Agent entered into a First Amendment to Revolving Credit Agreement (the "First Amendment") dated as of December 26, 1997, to provide for certain pricing options and to exclude certain non-cash charges from the covenant calculations.

The Borrower and the Agent have agreed to enter into this Second Amendment, inter alia, to provide for certain limited waivers, revisions to and additions of certain financial covenants.

Capitalized terms used in this Second Amendment and not defined herein shall have the meaning given such terms in the Original Loan Agreement, as amended by the First Amendment. The Original Loan Agreement, as amended by the First Amendment, as amended by the Second Amendment, as may be further amended, supplemented, modified or recast from time to time, is referred to as the "Loan Agreement."

II. Amendment to Article I. Section 1.01, "Certain Definitions" is hereby amended as follows:

A. The following definitions are hereby added:

1. "Consolidated EBIT" shall mean Consolidated Net Income plus Consolidated Interest Expense plus tax expenses minus the benefit of any tax losses used in the calculation of Consolidated Net Income of the Borrower and its subsidiaries during the period of determination on a consolidated basis, but excluding in any event: (i) any restructuring charge taken by the Borrower in its fiscal quarter ended December 27, 1997 and (ii) any restructuring charges taken by the Borrower up to the amount of \$27,300,000.00 in its fiscal quarter ended March 28, 1998 relating to the Borrower's disposition of its Blood Bank Management Services.
2. "Consolidated Interest Expense" shall mean any interest expense of the Borrower and its subsidiaries during the period of determination determined on a consolidated basis in accordance with GAAP.
3. "Consolidated EBITDA" shall mean for any period Consolidated EBIT plus amortization plus depreciation as determined on a consolidated basis in accordance with GAAP.
4. "Consolidated Net Worth" shall mean at any time the stockholders' equity of the Borrower and its Consolidated Subsidiaries, determined and consolidated in accordance with GAAP except that there shall be excluded therefrom the amount, whether positive or negative, of foreign currency translation adjustments to stockholders' equity of the Borrower and its Subsidiaries as determined in accordance with GAAP.

III. Amendment to Article V. Article V, "Affirmative Covenants" is hereby amended as follows:

A. Section 5.1(j) is hereby added, which states as follows:

"On or about June 30 of each year the Borrower shall deliver to Agent a plan which contains projections for the then current fiscal year of the Borrower's income statement, balance sheet and cash flow statements, including any non-recurring events then anticipated and such other information as the Agent may request, all in

reasonable detail as requested by the Agent.

IV. Amendment to Article VI. Article VI, "Negative Covenants" is hereby amended as follows:

A. Section 6.01 Financial Maintenance Covenants.

Subsection (a) is hereby amended by deleting the words therein contained and inserting the following in lieu thereof:

"Commencing with the fiscal quarter ending April 3, 1999, the Borrower shall maintain Consolidated Net Worth which is at all times equal to \$200,000,000.00 increased quarterly on a cumulative basis by an amount equal to fifty percent (50%) of the Borrower's positive net income (not to be reduced for losses), as determined in accordance with GAAP, for each succeeding fiscal quarter.

B. Section 6.01 Financial Maintenance Covenants is hereby further amended by deleting the words contained in subsection (b) and hereby inserting the following in lieu thereof:

"Commencing with the fiscal quarter ending March 28, 1998 and for each fiscal quarter thereafter, the ratio of the Consolidated EBIT to Consolidated Interest Expense shall not be less than 2.0 to 1.0 for any four consecutive fiscal quarter period ending on the date of any determination."

C. Section 6.01, Financial Maintenance Covenants is hereby further amended by deleting subsection (c) and inserting the following in lieu thereof:

"Commencing with the fiscal quarter ending March 28, 1998 and for each fiscal quarter thereafter, the ratio of (x) Consolidated Total Indebtedness as of the last day of such fiscal quarter to (y) the sum of EBITDA for the period of the four (4) consecutive quarters of the Borrower then ending shall not be more than the following: 3.0:1

D. The following Section 6.11 is hereby added:

"(a) The Borrower will not, except as hereinafter provided:

- (i) Declare or pay any dividends, either in cash or property, on any shares of its capital stock of any class (except dividends or other distributions payable solely in shares of common stock of the Borrower);
- (ii) Directly or indirectly, or through any Subsidiary or through any Affiliate of the Borrower, purchase, redeem or retire any shares of its capital stock of any class or any warrants, rights or options to purchase or acquire any shares of its capital stock; or
- (iii) Make any other payment or distribution, either directly or indirectly or through any Subsidiary, in respect of its capital stock;

(such declarations or payments of dividends, purchases, redemptions or retirements of capital stock and warrants, rights or options and all such other payments or distributions being herein collectively called "Restricted Payments"), if after giving effect thereto the sum of (1) the aggregate amount of Restricted Payments made during the period from and after March 29, 1997 to and including the date of the making of the Restricted Payment in question plus (2) the aggregate amount of all Restricted Investments (as defined in that certain Note Purchase Agreement by and between the Borrower and Allstate Life Insurance Company, Employers Insurance Company of Wausau, State Farm Life Insurance Company and Nationwide Mutual Fire Insurance Company dated as of October 15, 1997) made by the Borrower or any Subsidiary during said period would exceed the sum of:

- (i) 50% of Consolidated Net Income (or if such Consolidated Net Income is a deficit figure, then minus 100% of such deficit) for such period determined on a cumulative basis for said entire period; plus
 - (ii) an amount equal to the aggregate net cash proceeds received by the Borrower from the sale on or after the date of this Agreement of shares of its common stock or other securities convertible into common stock of the Borrower.
- (b) The Borrower will not declare any dividend which constitutes a Restricted Payment payable more than 60 days after the date of declaration thereof.
- (c) For the purposes of this Section 6.11, the amount of any Restricted Payment declared, paid or distributed

in property shall be deemed to be the greater of the book value or fair market value (as determined in good faith by the Board of Directors of the Borrower) of such property at the time of the making of the Restricted Payment in question.

- (d) The Borrower will not authorize or make a Restricted Payment if after giving effect to the proposed Restricted Payment, a Default or Event of Default would exist.

Notwithstanding anything to the contrary contained in this Section 6.11, during the period commencing on March 28, 1998 and ending on April 3, 1999, the Borrower shall not declare or pay any Restricted Payments (it being expressly agreed that dividends or other distributions payable solely in shares of common stock of the Borrower or rights to acquire common stock of the Borrower shall be permitted)."

V. Ratification and Consent

A. The loan documents shall otherwise remain unaltered, ratified, confirmed and in full force and effect. The Borrower hereby also ratifies and confirms that the amount of the Commitment is Twenty Million Dollars (\$20,000,000.00), which is held by Mellon on the date hereof.

B. The Borrower represents and warrants as follows: There are no defenses, offsets or counterclaims against obligations to the Banks evidenced by the Notes or the other loan documents, and to the extent there are any defenses, offsets or counterclaims, the same are hereby waived. All the representations and warranties contained in the Loan Agreement are true, correct and accurate in all material respects as of the date hereof.

IN WITNESS WHEREOF, the parties hereto have set their hand and seal as of the date first above written.

Dated as of April 30, 1998.

HAEMONETICS CORPORATION

By: /s/ Ronald J. Ryan

Its

MELLON BANK

By: /s/ R. Jane Westrich

Its

HAEMONETICS CORPORATION

1998 Employee Stock Purchase Plan

1. Purpose

It is the purpose of this 1998 Employee Stock Purchase Plan to provide a means whereby eligible employees may purchase Common Stock of Haemonetics Corporation (the "Company") through payroll deductions. It is intended to provide a further incentive for employees to promote the best interests of the Company and to encourage stock ownership by employees in order that they may participate in the Company's economic growth.

It is the intention of the Company that the Plan qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code and the provisions of this Plan shall be construed in a manner consistent with the Code.

2. Definitions

The following words or terms, when used herein, shall have the following respective meanings:

- (a) "Plan" shall mean the 1998 Employee Stock Purchase Plan.
- (b) "Company" shall mean Haemonetics Corporation, a Massachusetts corporation.
- (c) "Account" means the Employee Stock Purchase Account established for a Participant under Section 7 hereunder.
- (d) "Basic Compensation" shall mean the regular rate of salary or wages in effect immediately prior to a Purchase Period, including sales commissions, before any deductions or withholdings, but shall exclude overtime, bonuses and amounts paid in reimbursement for expenses.
- (e) "Board of Directors" shall mean the Board of Directors of Haemonetics Corporation.
- (f) "Code" shall mean the Internal Revenue Code of 1986, as amended.
- (g) "Committee" shall mean the Stock Purchase Plan Committee appointed and acting in accordance with the terms of the Plan.
- (h) "Common Stock" shall mean shares of the Company's common stock with a par value of \$.01 per share.
- (i) "Effective Date" shall mean May 1, 1998.
- (j) "Eligible Employees" shall mean all persons employed by the Company or one of its subsidiaries as defined in Section 424 of the Code, but excluding:
 - (1) Persons who have been employed by the Company or its subsidiaries for less than six months on the first day of the Purchase Period with the exception of persons previously eligible;
 - (2) Persons whose customary employment is less than twenty hours per week or five months or less per year; and
 - (3) Persons who are deemed for purposes of Section 423(b)(3) of the Code to own stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company, its parent or a subsidiary.

For purposes of the Plan, employment will be treated as continuing intact while a Participant is on military leave, sick leave, or other bona fide leave of absence, for up to 90 days or so long as the Participant's right to re-employment is guaranteed either by statute or by contract, if longer than 90 days.

- (k) "Exercise Date" shall mean the last day of a Purchase Period; provided, however, that if such date is not a business day, "Exercise Date" shall mean the immediately preceding business day.
- (l) "Participant" shall mean an Eligible Employee who elects to participate in the Plan under Section 6 hereunder.
- (m) Except as provided below, there shall be two "Purchase Periods" in each full calendar year during which the Plan is in effect, one commencing on November 1st of each calendar year and continuing through April 30 of such calendar year, and the second commencing on May 1st of each calendar year and continuing through October 31st of such calendar year. The first Purchase Period after adoption of the Plan shall commence on November 1, 1998. The last Purchase Period shall commence on May 1, 2008 and end on October 31, 2008.
- (n) "Purchase Price" shall mean the lower of (i) 85% of the fair market value of a share of Common Stock for the first business day of the relevant Purchase Period, or (ii) 85% of such value on the relevant Exercise Date. If the shares of Common Stock are listed on any national securities exchange, or traded on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") National Market System, the fair market value per share of Common Stock on a particular day shall be the closing price, if any, on the largest such exchange, or if not traded on an exchange, the NASDAQ National Market System, on such day, and, if there are no sales of the shares of Common Stock on such particular day, the fair market value of a share of Common Stock shall be determined by taking a weighted average of the means between the highest and lowest sales on the nearest date before and the nearest date after the particular day in accordance with Treasury Regulations Section 25.2512-2. If the shares of Common Stock are not then listed on any such exchange

or the NASDAQ National Market System, the fair market value per share of Common Stock on a particular day shall be the mean between the closing "Bid" and the closing "Asked" prices, if any, as reported in the National Daily Quotation Service for such day. If the fair market value cannot be determined under the preceding sentences, it shall be determined in good faith by the Board of Directors.

3. Grant of Option to Purchase Shares.

Each Eligible Employee shall be granted an option effective on the first day of each Purchase Period to purchase shares of Common Stock. The term of the option shall be the length of the Purchase Period. The number of shares subject to each option shall be the quotient of the aggregate payroll deductions in the Purchase Period authorized by each Participant in accordance with Section 6 divided by the Purchase Price, but in no event greater than 800 shares per option. Notwithstanding the foregoing, (i) no employee shall be granted an option which permits his right to purchase shares under the Plan and under all other Code Section 423(b) employee stock purchase plans of the Company or any parent or subsidiary corporation to accrue at a rate which exceeds in any one calendar year \$25,000 of the fair market value of the Common Stock as of the date the option to purchase is granted.

4. Shares.

There shall be 375,000 shares of Common Stock reserved for issuance to and purchase by Participants under the Plan, subject to adjustment as herein provided. The shares of Common Stock subject to the Plan shall be either shares of authorized but unissued Common Stock or shares of Common Stock reacquired by the Company and held as treasury shares. Shares of Common Stock not purchased under an option terminated pursuant to the provisions of the Plan may again be subject to options granted under the Plan.

The aggregate number of shares of Common Stock which may be purchased pursuant to options granted hereunder, the number of shares of Common Stock covered by each outstanding option, the maximum number of shares that may be granted in any Purchase Period and the purchase price for each such option shall be appropriately adjusted for any increase or decrease in the number of outstanding shares of Common Stock resulting from a stock split or other subdivision or consolidation of shares of Common Stock or for other capital adjustments or payments of stock dividends or distributions or other increases or decreases in the outstanding shares of Common Stock effected without receipt of consideration by the Company.

5. Administration.

The Plan shall be administered by the Board of Directors or a Stock Purchase Plan Committee appointed from time to time by the Board of Directors. All members of the Committee shall serve at the discretion of the Board. The Board of Directors or the Committee, if one has been appointed, is vested with full authority to make, administer and interpret such equitable rules and regulations regarding the Plan as it may deem advisable. The Board of Directors', or the Committee's, if one has been appointed, determinations as to the interpretation and operation of the Plan shall be final and conclusive. No member of the Board of Directors or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted under the Plan.

6. Election to Participate.

An Eligible Employee may elect to become a Participant in the Plan for a Purchase Period by completing a "Stock Purchase Agreement" form prior to the first day of the Purchase Period for which the election is made. Such Stock Purchase Agreement shall be in such form as shall be determined by the Board of Directors or the Committee. The election to participate shall be effective for the Purchase Period for which it is made. There is no limit on the number of Purchase Periods for which an Eligible Employee may elect to become a Participant in the Plan. In the Stock Purchase Agreement, the Eligible Employee shall authorize regular payroll deductions of any full percentage of his Basic Compensation, but in no event less than two percent nor more than eight percent (8%) of his Basic Compensation. An Eligible Employee may not change his authorization except as otherwise provided in Section 9. Options granted to Eligible Employees who have failed to execute a Stock Purchase Agreement within the time periods prescribed by the Plan will automatically lapse.

7. Employee Stock Purchase Account.

An Employee Stock Purchase Account will be established for each Participant in the Plan for bookkeeping purposes, and payroll deductions made under Section 6 will be credited to such Accounts. However, prior to the purchase of shares in accordance with Section 8 or withdrawal from or termination of the Plan in accordance with the provisions hereof, the Company may use for any valid corporate purpose all amounts deducted from a Participant's wages under the Plan and credited for bookkeeping purposes to his Account.

The Company shall be under no obligation to pay interest on funds credited to a Participant's Account, whether upon purchase of shares in accordance with Section 8 or upon distribution in the event of withdrawal from or termination of the Plan as herein provided.

8. Purchase of Shares.

Each Eligible Employee who is a Participant in the Plan automatically and without any act on his part will be deemed to have exercised his option on each Exercise Date to the extent that the balance then in his Account under the Plan is sufficient to purchase at the Purchase Price whole shares of the Common Stock subject to his option. Any balance remaining in the Participant's Account shall be carried forward and credited for use in the next Purchase Period. If the Employee chooses not to participate in the next Purchase Period, any balance will be refunded to him in cash. Notwithstanding the foregoing, any balance remaining in a Participant's Account at the end of a Purchase Period as a result of aggregate payroll deductions having exceeded the limitations set forth in Section 3 shall be refunded to the Participant in cash without interest.

9. Withdrawal.

A Participant who has elected to authorize payroll deductions for the purchase of shares of Common Stock may cancel his election by written notice of cancellation delivered to the office or person designated by the Company to receive Stock Purchase Agreements ("Cancellation"), but any such notice of Cancellation must be so delivered not later than ten (10) days before the relevant Exercise Date.

A Participant will receive in cash, as soon as practicable after delivery of the notice of Cancellation, the amount credited to his Account. Any Participant who so withdraws from the Plan may again become a Participant at the start of the next Purchase Period in accordance with Section 6.

Upon dissolution or liquidation of the Company or a merger or consolidation in which the Company is not the surviving entity every option outstanding hereunder shall terminate, in which event each Participant shall be refunded the amount of cash then in his Account.

10. Issuance of Stock Certificates.

The shares of Common Stock purchased by a Participant shall, for all purposes, be deemed to have been issued and sold at the close of business on the Exercise Date. Prior to that date none of the rights or privileges of a stockholder of the Company, including the right to vote or receive dividends, shall exist with respect to such shares.

Within a reasonable time after the Exercise Date, the Company shall issue and deliver a certificate for the number of shares of Common Stock purchased by a Participant for the Purchase Period, which certificate shall be registered either in the Participant's name, jointly in the names of the Participant and his spouse, or in the name of the Participant or his spouse as guardian for their children, as the Participant shall designate in his Stock Purchase Agreement. Such designation may be changed at any time by filing notice thereof with the party designated by the Company to receive such notices.

11. Termination of Employment.

- (a) Upon a Participant's termination of employment for any reason, other than death, no payroll deduction may be made from any compensation due him and the entire balance credited to his Account shall be automatically refunded.
- (b) Upon the death of a Participant, no payroll deduction shall be made from any compensation due him at time of death, and the entire balance in the deceased Participant's Account shall be paid in cash to the Participant's designated beneficiary, if any, under a group insurance plan of the Company covering such employee, or otherwise to his estate.

12. Rights Not Transferable.

The right to purchase shares of Common Stock under this Plan is exercisable only by the Participant during his lifetime and is not transferable by him. If a Participant attempts to transfer his right to purchase shares under the Plan, he shall be deemed to have requested withdrawal from the Plan and the provisions of Section 9 hereof shall apply with respect to such Participant.

13. No Guarantee of Continued Employment.

Granting of an option under this Plan shall imply no right of continued employment with the Company for any Eligible Employee.

14. Notice.

Any notice which an Eligible Employee or Participant files pursuant to this Plan shall be in writing and shall be delivered personally or by mail addressed to Haemonetics Corporation, 400 Wood Road, Braintree, Massachusetts 02184 Attn: Alicia R. Lopez, General Counsel. Any notice to a Participant or an Eligible Employee shall be conspicuously posted in the Company's principal office or shall be mailed addressed to the Participant or Eligible Employee at the address designated in the Stock Purchase Agreement or in a subsequent writing.

15. Application of Funds.

All funds deducted from a Participant's wages in payment for shares purchased or to be purchased under this Plan may be used for any valid corporate purpose provided that the Participant's Account shall be credited with the amount of all payroll deductions as provided in Section 7.

16. Government Approvals or Consents.

This Plan and any offering and sales to Eligible Employees under it are subject to any governmental approvals or consents that may be or become applicable in connection therewith. Subject to the provisions of Section 17, the Board of Directors of the Company may make such changes in the Plan and include such terms in any offering under this Plan as may be necessary or desirable, in the opinion of counsel, to comply with the rules or regulations of any governmental authority, or to be eligible for tax benefits under the Code or the laws of any state.

17. Amendment of the Plan.

The Board of Directors may, without the consent of the Participants, amend the Plan at any time, provided that no such action shall adversely affect options theretofore granted hereunder, and provided that no such action by the Board of Directors without approval of the Company's stockholders may: (a) increase the total number of shares of Common Stock which may be purchased by all Participants; or (b) change the class of employees eligible to receive options under the Plan.

For purposes of this Section 17, termination of the Plan by the Board of Directors pursuant to Section 18 shall not be deemed to be an action which adversely affects options theretofore granted hereunder.

18. Term of the Plan.

The Plan shall become effective on the Effective Date, provided that it is approved within twelve months after adoption by the Board of Directors at a duly-held stockholder's meeting by stockholders of the Company holding a majority of the Company's voting stock. The Plan shall continue in effect through October 31, 2008, provided, however, that the Board of Directors shall have the right to terminate the Plan at any time. In the event of the expiration of the Plan or its termination, all options then outstanding under the Plan shall automatically be canceled and the entire amount credited to the Account of each Participant hereunder shall be refunded to each such Participant.

19. Withholding of Additional Income Taxes.

By electing to participate in the Plan, each Participant acknowledges that the Company is required to withhold taxes with respect to the amounts deducted from the Participant's compensation and accumulated for the benefit of the Participant under the Plan and each Participant agrees that the Company may deduct additional amounts from the Participant's compensation, when amounts are added to the Participant's account, used to purchase Common Stock or refunded, in order to satisfy such withholding obligations. Each Participant further acknowledges that when Common Stock is purchased under the Plan, the Company may be required to withhold taxes with respect to all or a portion of the difference between the fair market value of the Common Stock purchased and its purchase price, and each Participant agrees that such taxes may be withheld from compensation otherwise payable to such Participant. It is intended that tax withholding will be accomplished in such a manner that the full amount of payroll deductions elected by the Participant under Section 6 will be used to purchase Common Stock. However, if amounts sufficient to satisfy applicable tax withholding obligations have not been withheld from compensation otherwise payable to any Participant, then, notwithstanding any other provision of the Plan, the Company may withhold such taxes from the Participant's accumulated payroll deductions and apply the net amount to the purchase of Common Stock, unless the Participant pays to the Company, prior to the exercise date, an amount sufficient to satisfy such withholding obligations. Each Participant further acknowledges that the Company may be required to withhold taxes in connection with the disposition of stock acquired under the Plan and agrees that the Company may take whatever action it considers appropriate to satisfy such withholding requirements, including deducting from compensation otherwise payable to such Participant an amount sufficient to satisfy such withholding requirements or conditioning any disposition of Common Stock by the Participant upon the payment to the Company of an amount sufficient to satisfy such withholding requirements.

20. General.

Whenever the context of this Plan permits, the masculine gender shall include the feminine and neuter genders.

HAEMONETICS CORPORATION

1998 STOCK OPTION PLAN

FOR NON-EMPLOYEE DIRECTORS

1. PURPOSE

The purpose of this Haemonetics Corporation 1998 Stock Option Plan for Non-Employee Directors (the "Plan") is to attract and retain the services of experienced and knowledgeable independent directors who are not employees (sometimes referred to herein collectively as "Participants") of Haemonetics Corporation ("Haemonetics" or the "Company") or its subsidiaries for the benefit of Haemonetics and its stockholders and to provide additional incentive for such Participants to continue to work in the best interests of Haemonetics and its stockholders through continuing ownership of its common stock.

2. SHARES SUBJECT TO THE PLAN

The total number of shares of common stock, par value \$.01 per share of Haemonetics ("Common Stock") available for stock options granted under this Plan shall not exceed 500,000 shares in the aggregate, subject to adjustment in accordance with Section 12 hereof. Shares issued under the Plan may be authorized but unissued shares of Common Stock or shares of Common Stock held in treasury. Options granted pursuant to the Plan shall be authorized by action of the Board of Directors. Stock issuable upon the exercise of an option granted under the Plan may be subject to such restrictions on transfer, repurchase rights or other restrictions as shall be determined by the Board of Directors.

3. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Board of Directors. The Board shall, subject to the provisions of this Plan, have the power to construe this Plan, to determine all questions of interpretation and application of the Plan and to adopt and amend such rules and regulations for the administration of the Plan as the Board may deem desirable. No member of the Board shall be liable for any action or determination made in good faith with respect to this Plan or any option granted under it.

4. ELIGIBILITY

Members of the Board of Directors of Haemonetics who are not employees of Haemonetics or its subsidiaries are eligible to be granted options under the Plan.

5. OPTION AGREEMENT

Each option granted under the Plan shall be evidenced by an option agreement (the "Agreement") duly executed on behalf of Haemonetics and by the director to whom such option is granted, which Agreements shall (i) comply with and be subject to the terms and conditions of the Plan and (ii) provide that the optionee agrees to continue to serve as a director of Haemonetics, during the term for which he or she was elected.

6. OPTION EXERCISE PRICE

Subject to the provisions of Section 10 hereof, the option exercise price for an option granted under the Plan shall be the fair market value of the shares of the Common Stock of Haemonetics covered by the option on the date of grant of the option. For the purposes hereof and Section 7, the fair market value of the Common Stock of Haemonetics shall be the mean between the high and low sales prices of the Common Stock of Haemonetics on the New York Stock Exchange ("NYSE") on the date of grant, or (if the Common Stock of Haemonetics did not trade on such date) on the most recent date prior to the date of grant on which such trading occurred.

7. TIME AND MANNER OF EXERCISE OF OPTIONS

Each option granted under the Plan shall, subject to Section 8 and Section 10 hereof, be exercisable at such time or times and during such period as is determined by the Board of Directors and set forth in the Agreement; provided, however, that no option granted under the Plan shall have a term in excess of ten (10) years from the date of grant. To the extent that the right to exercise an option has accrued and is in effect, the option may be exercised in full at one time or in part from time to time by giving written notice, signed by the person or persons exercising the option, to Haemonetics, stating the number of shares with respect to which the option is being exercised, accompanied by payment in full for such shares, which payment may be in cash or in whole or in part in shares of the Common Stock of Haemonetics already owned for a period of at least six months by the person or persons exercising the option, valued at fair market value, as determined under Section 6 hereof, on the date of exercise. Upon such exercise, delivery of a certificate for paid-up non-assessable shares shall be made as promptly as practicable at the principal office of Haemonetics to the person or persons exercising the option.

8. TERM OF OPTIONS

(a) Each option shall expire ten (10) years from the date of the granting thereof, but shall be subject to earlier termination as herein provided.

(b) In the event of the death of an optionee, the option granted to such optionee may be exercised, to the extent the optionee was entitled to do so on the date of such optionee's death, by the estate of such optionee or by any person or persons who acquired the right to exercise such option by bequest or inheritance or otherwise by reason of the death of such optionee. Such option may be exercised at any time within one (1) year after the date of death of such optionee, at which time the option shall terminate, or prior to the date on which the option otherwise expires by its terms, whichever is earlier.

(c) In the event that an optionee ceases to be a director of Haemonetics, the option granted to such optionee may be exercised by him or her, but only to the extent that under Section 7 hereof the right to exercise the option has accrued and is in effect. Such option may be exercised at any time within three (3) months after the date such optionee ceases to be a director of Haemonetics, at which time the option shall terminate, but in any event prior to the date on which the option expires by its terms, whichever is earlier, unless termination as a director, (a) was by Haemonetics for cause, in which case the option shall terminate immediately at the time the optionee ceases to be a director of Haemonetics, (b) was because the optionee has become disabled (within the meaning of Section 22(e)(3) of the Code), or (c) was by reason of the death of the optionee. In the case of death, see Section 8(b) above. In the case of disability, the option may be exercised, to the extent then exercisable under Section 7 hereof, at any time within one (1) year after the date of termination of the optionee's directorship with Haemonetics, at which time the option shall terminate, but in any event prior to the date on which the option otherwise expires by its terms, whichever is earlier.

9. OPTIONS NOT TRANSFERABLE

The right of any optionee to exercise an option granted to him or her under the Plan shall not be assignable or transferable by such optionee otherwise than by will or the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder. Any option granted under the Plan shall be exercisable during the lifetime of such optionee only by him or her. Any option granted under the Plan shall be null and void and without effect upon any attempted assignment or transfer, except as herein provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition, attachment, trustee process or similar process, whether legal or equitable, upon such option.

10. RECAPITALIZATIONS, REORGANIZATIONS AND THE LIKE

(a) In the event that the outstanding shares of the Common Stock of the Company are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation by reason of any reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination of shares, or dividends payable in capital stock, appropriate adjustment shall be made in the number and kind of shares as to which options may be granted under the Plan and as to which outstanding options or portions thereof then unexercised shall be exercisable, to the end that the proportionate interest of the optionee shall be maintained as before the occurrence of such event; such adjustment in outstanding options shall be made without change in the total price applicable to the unexercised portion of such options and with a corresponding adjustment in the option price per share.

(b) In addition, unless otherwise determined by the Board in its sole discretion, in the case of any (i) sale or conveyance to another entity of all or substantially all of the property and assets of the Company or (ii) Change in Control (as hereinafter defined) of the Company, the purchaser(s) of the Company's assets or stock may, in his, her or its discretion, deliver to the optionee the same kind of consideration that is delivered to the shareholders of the Company as a result of such sale, conveyance or Change in Control, or the Board may cancel all outstanding options in exchange for consideration in cash or in kind which consideration in both cases shall be equal in value to the value of those shares of stock or other securities the optionee would have received had the option been exercised (to the extent then exercisable) and no disposition of the shares acquired upon such exercise been made prior to such sale, conveyance or Change in Control, less the option price therefor. Upon receipt of such consideration by the optionee, his or her option shall immediately terminate and be of no further force and effect. The value of the stock or other securities the optionee would have received if the option had been exercised shall be determined in good faith by the Board, and in the case of shares of the Common Stock of the Company, in accordance with the provisions of Section 6 hereof. The Board shall also have the power and right to accelerate the exercisability of any options, notwithstanding any limitations in this Plan or in the Agreement upon such a sale, conveyance or Change in Control. A "Change in Control" shall be deemed to have occurred if any person, or any two or more persons acting as a group, and all affiliates of such person or persons, who prior to such time owned less than thirty five percent (35%) of the then outstanding Common Stock of the Company, shall acquire such additional shares of the Company's Common Stock in one or more transactions, or series of transactions, such that following such transaction or transactions, such

person or group and affiliates beneficially own thirty five percent (35%) or more of the Company's Common Stock outstanding.

(c) Upon dissolution or liquidation of the Company, all options granted under this Plan shall terminate, but each optionee (if at such time associated with the Company or any of its subsidiaries) shall have the right, immediately prior to such dissolution or liquidation, to exercise his or her option to the extent then exercisable.

(d) No fraction of a share shall be purchasable or deliverable upon the exercise of any option, but in the event any adjustment hereunder of the number of shares covered by the option shall cause such number to include a fraction of a share, such number shall be adjusted to the nearest smaller whole number of shares.

11. RESTRICTIONS ON ISSUE OF SHARES

Notwithstanding the provisions of Section 7 hereof, Haemonetics may delay the issuance of shares covered by the exercise of any option and the delivery of a certificate for such shares until one of the following conditions shall be satisfied:

(i) the shares with respect to which an option has been exercised are at the time of the issue of such shares effectively registered under applicable Federal and state securities acts now in force or hereafter amended; or

(ii) counsel for Haemonetics shall have given an opinion, which opinion shall not be unreasonably conditioned or withheld, that such shares are exempt from registration under applicable Federal and state securities acts now in force or hereafter amended.

It is intended that all exercises of options shall be effective. Accordingly, Haemonetics shall use its best efforts to bring about compliance with the above conditions within a reasonable time, except that Haemonetics shall be under no obligation to cause a registration statement or a post-effective amendment to any registration statement to be prepared at its expense solely for the purpose of covering the issue of shares in respect of which any option may be exercised, except as otherwise agreed to by Haemonetics in writing.

12. RIGHTS OF HOLDER ON PURCHASE FOR INVESTMENT; SUBSEQUENT REGISTRATION

Unless the shares to be issued upon exercise of an option granted under the Plan have been effectively registered under the Securities Act of 1933, as now in force or hereafter amended, Haemonetics shall be under no obligation to issue any shares covered by any option unless the person who exercises such option, in whole or in part, shall give a written representation and undertaking to Haemonetics which is satisfactory in form and scope to counsel to Haemonetics and upon which, in the opinion of such counsel, Haemonetics may reasonably rely, that he or she is acquiring the shares issued pursuant to such exercise of the option for his or her own account as an investment and not with a view to, or for sale in connection with, the distribution of any such shares, and that he or she will make no transfer of the same except in compliance with any rules and regulations in force at the time of such transfer under the Securities Act of 1933, or any other applicable law, and that if shares are issued without such registration a legend to this effect may be endorsed upon the securities so issued. In the event that Haemonetics shall, nevertheless, deem it necessary or desirable to register under the Securities Act of 1933 or other applicable statutes any shares with respect to which an option shall have been exercised, or to qualify any such shares for exemption from the Securities Act of 1933 or other applicable statutes, then Haemonetics shall take such action at its own expense and may require from each optionee such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for such purpose and may require reasonable indemnity to Haemonetics and its officers and directors from such holder against all losses, claims, damages and liabilities arising from such use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made.

13. APPROVAL OF STOCKHOLDERS

The Plan shall be subject to approval by the vote of stockholders holding at least a majority of the voting stock of Haemonetics voting in person or by proxy at a duly held stockholders' meeting, or by written consent of all of the stockholders, and shall take effect immediately as of its date of adoption upon such approval.

14. EXPENSES OF THE PLAN

All costs and expenses of the adoption and administration of the Plan shall be borne by Haemonetics, and none of such expenses shall be charged to any optionee.

15. TERMINATION AND AMENDMENT OF PLAN

Unless sooner terminated as herein provided, the Plan shall terminate ten (10) years from the date upon which the Plan was duly approved by the Board. The Board may at any time terminate this Plan or make such

modification or amendment thereof as it deems advisable.

16. LIMITATION OF RIGHTS IN THE OPTION SHARES

An optionee shall not be deemed for any purpose to be a stockholder of Haemonetics with respect to any of the options except to the extent that the option shall have been exercised with respect thereto and, in addition, a certificate shall have been issued theretofore and delivered to the optionee.

17. NOTICES

Any communication or notice required or permitted to be given under the Plan shall be in writing, and mailed by registered or certified mail or delivered by hand, if to Haemonetics, to its principal place of business, attention: General Counsel, and, if to an optionee, to the address as appearing on the records of Haemonetics.

APPROVED BY BOARD OF DIRECTORS: May 1, 1998

LEASE INFORMATION PAGE

Date of Lease: July 29, 1997

Landlord: New Avon Limited Partnership

Landlord Notice Address: c/o Urban Equities
21A Highland Circle
Needham, MA 02194

Tenant: Haemonetics Corporation, a Delaware corporation registered to do business in the Commonwealth of Massachusetts

Tenants Notice Address: 400 Wood Road
Braintree, MA 02184

Building: The building commonly known as The Odyssey Building located at 40 Robbie Road, Avon Massachusetts, containing approximately 152,545 square feet of space, appurtenant common areas, parking areas and access ways.

Demised Premises: Approximately 48,000 square feet, as specifically shown on Exhibit A, annexed hereto.

Lease Term: Five (5) years and four (4) months, unless sooner terminated as hereinafter provided.

Commencement Date: August 1, 1997

Expiration Date: November 30, 2002

Option Period: December 1, 2002 to November 30, 2007;

Rent: Rent is due and payable on the first day of the month.

Annual Rent for the initial Lease Term of:

Commencing on December 1, 1997, \$136,320 in monthly installments of \$17,040 for year one (no Annual Rent shall be due for the period August 1, 1997 to November 30, 1997).

\$199,680 in monthly installments of \$16,640 for year two.

\$204,480 in monthly installments of \$17,040 for year three.

\$210,720 in monthly installments of \$17,560 for year four.

\$211,200 in monthly installments of \$17,600 for year five.

\$70,400 in monthly installments of \$17,600 for the four months of year six.

Annual Rent for the Option Period shall be at Fair Market Rate, but in no event less than the rent charged in the immediately preceding year.

Security Deposit: \$22,500.00

Permitted Use: Warehousing of disposable medical products (and not any biological, blood or blood component products) and associated office use

Listed Broker: Hunneman Commercial Corporation and Donahue Associates

Tenant Share of the Real Estate Taxes and Operation Cost: 31.47% (payable monthly commencing August 1, 1997)

Tenant's Initial Estimated Monthly Payment on Account:

Real Estate Taxes	\$ 2,098.00
Operating Cost	2,720.00

Total Monthly Payment:	\$ 4,818.00

Limited Access Period: From Date of Lease until Commencement

Date Tenant shall have limited access to the Demised Premises, subject to the rights of any existing tenants, for the sole purpose of completing certain tenant improvements, as more fully set forth in Section 6 herein, provided such access and work does not interfere with the rights of such existing tenants, and that such access and tenant improvements shall be at Tenant's sole cost, expense and liability. During the Limited Access Period, Tenant shall be responsible for dealing with any such existing tenants with respect to said access, and shall also be solely responsible for provision and payment for any utilities serving the Demised Premises (not otherwise the responsibility of existing tenants).

Assigned Parking:

Tenant shall have the exclusive use of the parking spaces for employees, and trucks, as designated on Exhibit A annexed hereto; Tenant shall be responsible for signage and enforcement of the exclusively assigned spaces. Neither Tenant, its employees, visitors or other vehicle owners related to Tenant shall park (whether temporarily or permanently) in any other areas.

1. **PARTIES.** The Landlord named in the Lease Information Page of this lease (hereinafter called "Landlord", which expression shall include Landlord's heirs, legal representatives, successors and assigns where the context so admits) does hereby lease to the Tenant named in said Lease Information Page (hereinafter called "Tenant", which expression shall include Tenant's heirs, legal representatives, successors and assigns where the context so admits), and Tenant hereby leases the following described premises:

2. **PREMISES.** The Demised Premises described in said Lease Information Page, said premises being within the Building described in said Lease Information Page.

There is appurtenant to the Demised Premises the right to use, in common with others entitled thereto, any and all common facilities, improvements or services serving the building in which the Demised Premises are situated (the "Building").

Landlord reserves the right from time to time to install, repair, replace, use, maintain and relocate for service to the Demised Premises and to other parts of the building, or either, building service fixtures and equipment wherever located in the Building. Landlord expressly reserves the right to install and maintain in the Demised Premises pipes, conduits, electric lines and other facilities serving other portions of the building, provided, however, that such installation and maintenance shall not unreasonably interfere with Tenant's use and enjoyment of the Demised Premises.

3. **TERM.** The term of this lease (the "term") shall be for the period set forth in said Lease Information Page. The commencement date of the term (the "Commencement Date") of this lease shall be the first day of the term. Upon the request of Landlord, Tenant shall execute a written instrument, confirming the commencement date.

4. **RENT.** Tenant shall pay to Landlord during the term annual rent at the rate set forth in said Lease Information Page, payable in equal monthly installments. The first payment of annual rent shall be due and payable on the date specified in the Lease Information page for the commencement of annual rent. Annual rent shall be paid monthly in advance on the first day of each and every calendar month thereafter during the term. Rent for any fraction of a month at the commencement or expiration of Tenant's obligation to pay annual rent shall be pro rated. All payments of rent (annual and additional) shall be made payable to the Landlord named in said Lease Information Page and shall be sent to said Landlord at the address set forth herein, or to such other person or to such other address as Landlord shall from time to time designate by advance written notice to Tenant.

5. **REAL ESTATE TAXES.** For the purpose of this Article 5, the following terms shall have the following meanings:

A. **Real Estate Taxes** - real estate taxes levied against the land and building of which the Demised Premises are a part, including betterment assessments and other governmental charges which may be charged, assessed or imposed upon the land, building and other improvements of which the Demised Premises are a part, but specifically excluding any income, franchise or estate taxes.

B. **Operation Cost** - all reasonable costs and expenses incurred by Landlord in connection with the maintenance and operation of the land and building of which the Demised Premises are a part. Operation Cost shall include, without limitation, all reasonable costs and expenses incurred by Landlord (a) in making repairs to the building and its appurtenances and the exterior signs thereon, (b) in carrying fire, casualty, plate glass, rent and liability insurance upon the building (including, without limitation, insurance carried under so-called "blanket" and/or "umbrella" policies), (c) in providing services including but not limited to lighting, plowing, cleaning, maintaining and beautifying the exterior of the building and the land appurtenant to the building and the landscaping and gardening (if any) thereof, (d) in paying

Landlord's costs associated with all customarily expenses of personnel engaged in the management and operation of the building (appropriately prorated where a person's duties are not limited solely to the building), (e) in paying for electricity, water and sewerage and other utilities charges imposed by the entity providing such services, to the extent not separately metered to the Demised Premises as hereinafter provided, and servicing only the common areas, and the cost of maintaining any utility systems outside the Demised Premises (including, without limitation, any roof top HVAC equipment), and (f) a management fee equal to five percent (5%) of gross receipts from the operation of the building. Operation Cost shall not include Landlord's leasing costs, attorneys fees and the cost of and depreciation of capital expenditures (unless such capital expenditure is intended to substantially reduce one or more items within Operation Cost, in which event such capital expenditure shall be treated as an amortized Operation Cost based upon the generally accepted "pay-back" period for the capital expenditure).

C. Tenant's Tax and Operation Cost Obligation - for any calendar year (or partial calendar year) occurring during the term, the sum of Real Estate Taxes and Operation Cost, multiplied by Tenant's Share of Operation Cost (as specified on the Lease Information Page). For the partial calendar years at the beginning and end of the term, Tenant's Tax and Operation Cost Obligation shall be equal to Tenant's Tax and Operation Cost Obligation as determined pursuant to the immediately preceding sentence, multiplied by that fraction of the relevant calendar year during which this lease was in effect.

Tenant shall pay to Landlord, as additional rent, Tenant's Tax and Operation Cost Obligation for each calendar year (or prorated portion for any partial calendar year) during the term.

Tenant shall pay to Landlord on the first day of every month during the term, in advance, payments on account of Tenant's obligations under this Article. Tenant's initial monthly payment on account of Tenant's obligations under this Article is the amount specified on the Lease Information Page as Tenant's Initial Monthly Payment on Account of Tenant's Tax and Operation Cost Obligation. From time to time, Landlord shall have the right to adjust the amount of Tenant's monthly payments. Following the end of each calendar year, Landlord shall determine the exact amount of Tenant's Tax and Operation Cost Obligation with respect to the calendar year then ended, and appropriate adjustments shall be made (either by additional payment by Tenant or crediting/refund by Landlord toward subsequent obligations of Tenant under this Article 5), so that the amount of such adjustment, when aggregated with the amount of Tenant's monthly payments during the preceding calendar year, will equal Tenant's Tax and Operation Cost Obligation for such calendar year. Tenant shall receive an annual statement from Landlord detailing the previous twelve months operating expenses for the building, and the estimated monthly Operation Cost Obligation for the subsequent period.

In addition to the foregoing, Tenant shall pay all taxes upon its property in or upon the Demised Premises.

With respect to the pro-ration of annual water usage by all Tenants in the building, in the event that a Tenant occupying a portion of the building uses a greater amount of water than is customarily used by other tenants' in the building or discharges any water due to its use of the premises (unrelated to kitchen/utility sink and bathroom discharges), the water/discharge usage for that Tenant shall be separately metered (at that tenant's expense) and billed to that Tenant, exclusive of the other Tenants in the building.

6. LANDLORD'S WORK AND TENANT'S WORK. Landlord is delivering the Demised Premises and the building "as is". Tenant shall perform, at its sole risk and its own cost and expense, "Tenant's Work" consisting of the items set forth on Exhibit TW, annexed. Tenant shall also perform all additional work required to obtain a certificate of occupancy and otherwise prepare the Demised Premises for Tenant's occupancy (pursuant to plans and specifications therefor submitted to and approved in writing by Landlord, which approval shall not be unreasonably withheld) and shall equip the Demised Premises with all trade fixtures and personal property suitable or appropriate to the regular and normal operation of the type of business in which Tenant is engaged. All of Tenant's Work and all of Tenant's trade fixtures and personal property shall be of quality consistent with trade fixtures and personal property in the remainder of the building, and shall be subject to Landlord's reasonable approval. Tenant shall not permit any mechanics' liens, or similar liens, to remain upon the Demised Premises for labor and material furnished to Tenant or claimed to have been furnished to Tenant in connection with work of any character performed or claimed to have been furnished at the direction of Tenant and shall cause any such lien to be released of record forthwith without cost to Landlord.

From and after the first entry by Tenant or its agents for the purpose of performing Tenant's Work (whether or not the commencement date has occurred), Tenant shall comply with all of the provisions of this lease

7. ALTERATIONS -- ADDITIONS -- SIGNS. Tenant shall not make structural or exterior alterations or additions to the Demised Premises, but may make non-structural interior alterations provided Landlord consents thereto in writing, which consent shall not be unreasonably withheld or delayed. All such allowed alterations shall be at Tenant's expense and shall be in quality at least equal to the construction of the Demised Premises as of the commencement date. Tenant shall not permit any mechanics' liens, or similar liens, to remain upon the Demised Premises for labor and material furnished to Tenant or claimed to have been furnished to Tenant in connection with work of any character performed or claimed to have been furnished at the direction of Tenant and shall cause any such lien to be released of record forthwith without cost to Landlord. Any alterations or improvements made by Tenant, shall be Landlord's property upon expiration of the lease term, unless Landlord notifies Tenant to the contrary contemporaneously with Landlord's consent therefor. In such event, at or about the time of expiration or termination hereof, Tenant shall remove any or all of such alterations, and Tenant shall repair all damage caused to

the Demised Premises or the building in so removing the same. Any alterations and additions shall be done in a good workman manner using first class materials, and in accordance with (and only after having received appropriate permitting) all local, state and federal laws, codes and regulations.

Any sign installed by Tenant from time to time shall be subject to the prior written approval of Landlord (in all respects; i.e. size, content, location, materials, etc.), which consent shall not be unreasonably withheld or delayed, and shall be in conformity with all governing codes. Tenant shall maintain any such sign, at its sole cost and expense, in good condition, working order and appearance. Upon the expiration or earlier termination of this lease, Tenant shall remove all of its signs, and shall repair any damage to the Demised Premises or the building resulting from such removal. Moreover, Landlord shall have the right, upon fifteen (15) days written notice to Tenant, to remove any sign installed by Tenant in violation of the first sentence of this paragraph, and Tenant shall reimburse Landlord, promptly upon demand thereof, for all costs incurred in removing any such sign and restoring any damage to the Demised Premises or the building resulting from such removal.

8. USE OF DEMISED PREMISES. Subject to the provisions of this Article 8 and the provisions of Articles 9 and 15, below, Tenant shall have the right to utilize the Demised Premises for its business purposes at any time. Tenant shall comply with the reasonable Rules and Regulations annexed hereto, as well as such other reasonable rules and regulations as may be established by Landlord from time to time with notice to Tenant, and which are applicable to all tenants, in order to assure the safety and security of persons and property in and about the building, as well as the efficient and harmonious activities of the occupants of the building. In the event of any breach of any rules and regulations by tenant (including any amendments or additions thereto), Landlord shall have all of the remedies in this lease provided for default of Tenant. Landlord shall use reasonable efforts to cause all occupants of the building to comply with Landlord's rules and regulations. However, no failure of any other occupant of the building to comply with any rules and regulations shall result in any liability by Landlord, or justify any failure of Tenant to comply with all rules and regulations.

9. COMPLIANCE WITH LAWS. Tenant agrees that no trade or occupation shall be conducted in the Demised Premises or use made thereof which will be unlawful, improper or contrary to any law or any municipal by-law or ordinance in force in the city or town in which the building is situated. Tenant and those claiming under Tenant shall not use, handle, store, release or discharge oil, hazardous materials or hazardous waste in or about the Demised Premises.

Tenant shall not use any portion of the Demised Premises for the use, generation, treatment, storage or disposal of "oil", "hazardous material," "hazardous waste", or "hazardous substances" (collectively, the "Materials"), as such terms are defined under any applicable federal, state and local laws, rules and regulations now or hereafter in effect, without the express written prior consent of Landlord (not to be unreasonably withheld) and, if required, its mortgagees, and then only to the extent that the presence of the Materials is (i) properly licensed and approved by all appropriate governmental officials and in accordance with all applicable laws and regulations and (ii) in compliance with any terms and conditions stated in said prior written approvals by Landlord or its mortgagees. In the event of any release of Materials upon the Demised Premises, Building or property, or upon adjacent lands, if caused by Tenant or its agents, representatives or those claiming under Tenant, Tenant shall promptly remedy the problem in accordance with all applicable laws and requirements and shall indemnify, defend and hold Landlord and its mortgagee(s) harmless from and against all loss, costs, liability and damage, including attorneys' fees and the cost of litigation, arising from the presence or release of any Materials caused by Tenant or its agents, representative, and those claiming under Tenant in or on the Demised Premises, building or property, or upon adjacent lands. In the event of any release of Materials upon the Demised Premises, Building or property, or upon adjacent lands, if caused by Landlord or its agents, representatives, Landlord shall promptly remedy the problem in accordance with all applicable laws and requirements and shall indemnify, defend and hold Tenant harmless from and against all loss, costs, liability and damage, including attorneys' fees and the cost of litigation, arising from the presence or release of any Materials caused by Landlord or its agents and representatives.

10. UTILITIES. Landlord shall, in the first instance, furnish and install electrical service and other utilities, to standards comparable with buildings similar to the Building. (Electrical and gas service to the Demised Premises shall be separately metered). In the event that additional services are required for Tenant's activities the Tenant shall be solely responsible for metering and installation of such services, subject to prior written approval of Landlord which may not be unreasonably withheld or delayed. Thereafter, Tenant shall connect to and through such services and be responsible for payment for its usage and consumption of all utilities or services at the Demised Premises and also promptly pay any bills and other charges, as to the same as and when the same become due or payable (which if not paid could have a material negative effect on the Demised Premises or the Building), including, but not limited to, heat, hot water, gas, electricity, air conditioning, garbage disposal, and any all other services or utilities supplied to or consumed at or in the Demised Premises throughout the term, whether or not measured by meter. Tenant shall heat and maintain the interior of the Demised Premises, at all times, at a reasonable temperature (but in no event less than sixty degrees). Landlord shall not be liable to Tenant for any compensation or reduction of rent by reason of inconvenience or annoyance, or for loss of business, arising from power losses or shortages, or the interruption of any utilities services to the Demised Premises, unless such interruption results from the negligence of Landlord. Landlord reserves the right to stop any service or utility system when necessary in Landlord's opinion by reason of accident or emergency or until necessary repairs have been completed.

11. REPAIRS. Landlord agrees to make all necessary repairs or alterations to the property which Landlord is required to maintain, as hereinafter set forth.

The property which Landlord is required to maintain is the foundation, roof, exterior walls, structural columns, and structural beams of the building; all HVAC equipment and utility pipes, lines and conduits located outside the Demised Premises but within the building and which do not serve exclusively the Demised Premises; and the landscaped areas on the lot on which the building is situated. Notwithstanding the foregoing, if any of the repairs or alterations to be made by Landlord pursuant to the provisions of this lease shall be made necessary by reason of repairs, installations, additions or improvements made by Tenant or anyone claiming under Tenant, by reason of the fault or negligence of Tenant or anyone claiming under Tenant, by reason of the failure of performance or observance of any agreements, conditions or other provisions on the part of Tenant to be performed or observed, or by reason of any special use (other than the Permitted Uses) to which the Demised Premises may be put, Tenant shall make all such repairs or alterations as may be necessary (or, at Landlord's option, upon the expiration of any applicable notice period related thereto, shall reimburse Landlord, as additional rent hereunder, for all reasonable costs and expenses incurred by Landlord in effecting such repairs or alterations). Landlord shall not be deemed to have committed a breach of any obligation to make repairs or alterations or perform any other act unless it shall have received notice from Tenant designating the particular repairs or alterations or other act and shall fail to undertake such repairs or alterations or perform such other act within a reasonable time after the receipt of such notice. As used in this lease, the expression "exterior walls" does not include doors, window sashes or frames, or door frames of the Demised Premises.

Tenant agrees that it will during the term of this lease make all repairs and alterations to the Demised Premises which Tenant is required to maintain, as hereinafter set forth, which may be necessary to maintain the same in good repair and condition or which may be required by this lease, and if due solely to Tenants use of the Demised Premises, by any laws, ordinances, regulations or requirements of any public authorities having jurisdiction, subject only to the provisions of Article 15, eminent domain and reasonable wear and tear excepted. The property which Tenant is required to repair and maintain in good order and condition is the Demised Premises and every part thereof including, but without limitation, all utility pipes, lines and conduits located within the Demised Premises, and all utility fixtures and equipment whether located within the Demised Premises or within the building which contains the Demised Premises (including, without limitation, the heating and air conditioning system) which exclusively serve the Demised Premises, all walls, ceilings, floors and doors, window sashes and frames, and door frames of the Demised Premises. Notwithstanding the foregoing, Tenant shall not be under any obligation to make any repairs or alterations to the property which Landlord is required to maintain, except to the extent provided in the first paragraph of this Article. Tenant specifically agrees to replace all glass damaged with glass of the same kind and quality or better. Tenant also agrees to keep the Demised Premises attractive in appearance. Tenant agrees that it shall give Landlord reasonable advance notice of any occasion when Tenant or its agents, employees or contractors propose to go upon the roof of the building for the purpose of making any repairs or alterations or for any other purpose whatsoever. In order to assure the proper maintenance of the HVAC systems serving the Demised Premises, Tenant, at its sole cost and expense, shall maintain (and shall provide Landlord with evidence of the existence of) a contract with a reputable HVAC maintenance company, providing for the regular quarterly inspection, maintenance and repair of such equipment. Landlord agrees to cooperate with Tenant or Tenant's agents with respect to any warranties which may or may not exist for any equipment serving exclusively the Demised Premises.

12. LANDLORD'S ACCESS. Upon advance notice from Landlord to Tenant of not less than 24 hours and with the consent of Tenant (which consent may not be unreasonably withheld or delayed) (except in the event of an emergency, in which event no notice or consent shall be required), Landlord or agents of Landlord may, at reasonable times, enter to view the Demised Premises or for the purpose of repairing or altering the Demised Premises or any portion of the building or for bringing materials into or through the Demised Premises in connection with the making of repairs or alterations, and may remove placards and signs not approved and affixed as herein provided, and may show the Demised Premises to agents, employees, contractors, architects, prospective mortgagees and purchasers, and, at any time within six (6) months before the expiration of the term, may affix to any suitable part of the Demised Premises a notice for letting affixed without hindrance or molestation and may show the Demised Premises to prospective tenants. Without limiting the generality of the foregoing, Landlord, its agents and other tenants of the building shall have continuing access (at reasonable times and upon reasonable notice, unless in an emergency), to the main electrical panels, telephone switch boards and interface equipment and water main within the Demised Premises which is the only interior access to said utilities. Tenant agrees to keep such areas and access thereto reasonably free of Tenant's fixtures and possessions to allow unimpeded access to said areas of the building and Demised Premises. Landlord shall not be liable to Tenant for any compensation or reduction of rent by reason of Landlord's entering the Demised Premises for any of the purposes authorized herein, except for negligent acts of Landlord or its agents.

13. FORCE MAJEURE. In any case where either party hereto is required to do any act (other than make a payment of money), delays caused by or resulting from Acts of God, war, civil commotion, fire or other casualty, labor difficulties, shortages of labor, materials or equipment, government regulations or other causes beyond such party's reasonable control (other than such party's financial condition) shall not be counted in determining the time during which such act shall be completed, whether such time be designated by a fixed date, a fixed time or "a reasonable time". In case Landlord is prevented or delayed from making any repairs, alterations, or improvements or furnishing any service or performing any other covenant or duty to be performed on Landlord's part by reason of any cause beyond Landlord's reasonable control, Landlord shall not be liable to Tenant therefor, nor shall Tenant be entitled to any abatement or reduction of rent by reason thereof, nor shall the same give rise to a claim in Tenant's favor that such failure constitutes actual or constructive, total or partial, eviction from the Demised Premises, unless the

same prevents Tenant's use and occupation of the Demised Premises for a continuous period of four months or more. In any case where work is to be paid for out of insurance proceeds or condemnation awards, due allowance shall be made, both to the party required to perform such work and to the party required to make such payment, for delays in the collection of such proceeds and awards.

14. ASSIGNMENT -- SUBLEASING. Tenant shall not assign this lease or sublet (or otherwise permit anyone to lease or occupy) the whole or any part of the Demised Premises, without the consent of the Landlord which consent shall not be unreasonably withheld. Notwithstanding the aforesaid, the Landlord may unreasonably withhold its consent if Landlord is not satisfied with the creditworthiness, proposed use or reputation of the proposed sub-tenant or assignee.

15. FIRE, CASUALTY -- EMINENT DOMAIN. In case, after the execution hereof and before the expiration of the term, the Demised Premises or more than twenty-five (25%) percent thereof or more than twenty-five (25%) percent of the building or the property of which the Demised Premises are a part shall be taken by any exercise of the right of eminent domain or by action of any public or other authority, or in case, after the execution hereof and before the expiration of the term, the Demised Premises or more than twenty-five (25%) percent thereof or more than twenty-five (25%) percent of the building or the property of which the Demised Premises are a part shall be destroyed or damaged by fire or casualty, then this lease and the term of this lease shall terminate at the election of Landlord, which election must be exercised by written notice to tenant within sixty (60) days after such taking, destruction, damage or action, and such election may be made in case of any such taking notwithstanding the entire interest of Landlord may have been divested by such taking. In any such event, if Landlord shall not elect to terminate this lease, the annual rent, or a just and proportionate part thereof, according to the nature, extent and duration of the injuries sustained, shall be abated until the Demised Premises or the building or the property of which the Demised Premises are a part, as the case may be, shall have been restored as provided herein. If Landlord shall not elect to terminate this lease, Landlord shall with reasonable promptness restore the Demised Premises to a single contiguous unit in substantially the same condition as the Demised Premises were in at time of casualty. However, in connection with such restoration, Landlord shall not be required to expend amounts in excess of Landlord's insurance proceeds or damages or awards resulting from such taking, destruction, damage or action allocable to the Demised Premises, as the case may be, after deducting Landlord's reasonable costs and expenses of collecting same and amounts retained by Landlord's mortgagee(s). If the Demised Premises are not so restored (or if, at any time following the taking, destruction, damage or action, Tenant and Landlord agree, in the exercise or good faith judgement, that it is not reasonably likely that the Demised Premises will be restored) within five (5) months after such taking, destruction, damage or action, Tenant may elect to terminate this lease by written notice to Landlord (such right shall be exercised, if at all, by notice to Landlord not later than the date of substantial completion of restoration). If the Demised Premises or the building or the property of which the Demised Premises are a part or any part thereof shall be taken by eminent domain, all damages from such taking, other than that which relates solely to Tenant's fixtures and equipment, shall vest in Landlord and Tenant covenants and agrees to execute such assignments or other document and to take any steps which may be necessary to vest such damages in Landlord, Tenant hereby irrevocably appointing Landlord as its agent and attorney-in-fact for the limited purpose to execute and deliver any such assignments and documents which Landlord deems necessary or appropriate to carry out the intent and purpose of the preceding sentence such appointment being a power coupled with an interest.

16. FIRE INSURANCE. Tenant shall not permit any use of the Demised Premises which will make voidable any insurance on the property of which the Demised Premises are a part, or on the contents of said property, or which shall be contrary to any regulation from time to time established by any insurance inspection board having jurisdiction. Tenant shall promptly comply with all reasonable respects and requirements of the insurance company providing fire insurance coverage to the building. Tenant shall on demand reimburse Landlord, for all extra insurance premiums caused by Tenant's use of the Demised Premises. Any such demand shall be accompanied by a written statement executed by a reputable insurance company or insurance broker, setting forth (i) the nature of Tenant's use of the Demised Premises which resulted in extra insurance premiums, (ii) the insurance premiums which would have been charged to the demanding party if Tenant had not engaged in such use, and (iii) the insurance premiums charged to the demanding party as a result of tenant's continued engagement in such use. At Tenant's request (and at Tenant's sole cost and expense), Landlord will also use reasonable efforts (including arbitration if the same is available) to cause its insurer to reconsider its determination that extra insurance premiums are chargeable, and to suggest modifications in Tenant's activities which would result in reduction or elimination of extra insurance premiums. Tenant agrees that it will at all times keep all furniture and personal property within the Demised Premises insured against all loss and damage by reason of fire or any of the casualties covered under the standard Massachusetts extended coverage policy. Such insurance shall be carried with responsible insurance companies authorized to do business in Massachusetts and having a "Best's" rating of A- or higher, and shall be in an amount equal to the full replacement cost of the insured property. Tenant shall deposit with Landlord certificates for such insurance at or prior to the commencement date, and thereafter at least twenty (20) days prior to the expiration of any such policy. At the request of the local fire department, or other state or municipal safety authority, Tenant shall provide such requesting authority with a key to the premises.

17. TENANT'S LIABILITY INSURANCE. Tenant shall maintain, with respect to the Demised Premises and the property of which the Demised Premises are a part, comprehensive public liability insurance in amounts not less Two Million Dollars (\$2,000,000) with respect to injuries or death suffered by one or more persons and not less than Two Million Dollars (\$2,000,000) with respect to property damage. Said insurance shall be issued by responsible insurance

companies authorized to do business in the state in which the Demised Premises are situated and having a "Best's" rating of A- or higher, and shall insure as named insureds Tenant, and with respect to acts or omissions of Tenant, the Landlord and any mortgagee of the Building. Tenant shall deposit with Landlord certificates for such insurance at or prior to the commencement date, and thereafter at least twenty (20) days prior to the expiration of any such policies. All such insurance certificates shall provide that such policies (as well as the policies of Tenant's insurance required pursuant to Article 16, above) shall not be canceled or modified without at least twenty (20) days prior written notice to each insured named therein. Tenant also agrees that upon Landlord's request from time to time Tenant shall increase the limits of the public liability insurance described above to such limits as are customarily carried with respect to premises similar to the Demised Premises within the metropolitan area in which the Demised Premises are situated. Notwithstanding anything contained herein to the contrary, it is hereby understood and agreed that in the event the Landlord files a claim with Tenant's comprehensive public liability carrier, the Landlord shall contemporaneously provide a copy of the same to Tenant.

18. INDEMNIFICATION OF LIABILITY. Tenant agrees to indemnify and save harmless Landlord from and against all claims of whatever nature arising from any act, omission or negligence of Tenant or Tenant's contractors, licensees, agents, servants, invitees or employees, arising from any accident, injury or damage whatsoever caused to any person, or to the property of any person, occurring after the commencement of construction work by Tenant, and until the end of the term of this lease and thereafter, so long as Tenant is in occupancy of any part of the Demised Premises, in or about the Demised Premises; or arising from any accident, injury or damage occurring outside of the Demised Premises, where such accident, damage or injury outside of the Demised Premises results or is claimed to have resulted from any act or omission on the part of Tenant or Tenant's agents, invitees, employees or independent contractors. This indemnity and hold harmless agreement shall include indemnity against all costs, expenses and liabilities incurred in or in connection with any such claim or proceeding brought thereon, and the defense thereof with counsel reasonably acceptable to Landlord. So long as the act, omission or negligence as to which Tenant is required to indemnify Landlord is covered by insurance maintained by Tenant, Tenant's liability under this paragraph, in connection with any specific occurrence, shall be limited to the greater of (i) the amount of insurance which Tenant is required to maintain pursuant to Article 17, above (including any deductible thereunder) and (ii) the amount of insurance actually maintained by Tenant (but excluding any deductible thereunder).

Commencing with the commencement of construction work by Tenant, and thereafter for so long as Tenant has a right to occupy any part of the Demised Premises, Landlord agrees to indemnify and save harmless Tenant from and against all claims arising from any accident, injury or damage results from the negligent act or omission of Landlord or Landlord's agents, contractors, servants, invitees or employees. This indemnity and hold harmless agreement shall include indemnity against all costs, expenses and liabilities incurred in or in connection with any such claim or proceeding brought thereon, and the defense thereof with counsel reasonably acceptable to Tenant. However, if the act or omission against which Landlord is required to indemnify Tenant is covered by any insurance maintained by Landlord, then Landlord's liability under this paragraph shall be limited to the amount of Landlord's insurance coverage (including any deductible thereunder).

To the maximum extent permitted by law, if Tenant or anyone claiming under Tenant or the whole or any part of the property of Tenant or anyone claiming under Tenant shall be injured, lost or damaged by theft, failure to remove snow or ice, fire, water or steam or in any other way or manner, whether similar or dissimilar to the foregoing, no part of said injury, loss or damage is to be borne by Landlord or its agents, unless such injury, loss or damage results from the negligence of Landlord. To the maximum extent permitted by law, all of Tenant's property shall be in the Demised Premises at Tenant's sole risk and hazard. Tenant agrees that Landlord shall not be liable to Tenant or anyone claiming under Tenant for any injury, loss or damage that may be caused by or result from the fault or negligence of any persons occupying (or claiming under any persons occupying) other premises in the building.)

19. WAIVER OF SUBROGATION. Each of Landlord and Tenant hereby releases the other from any and all liability or responsibility to the other (or anyone claiming through or under them by way of subrogation or otherwise) for any loss or damage to property caused by fire or any of the extended coverage or supplementary contract casualties, even if such fire or other casualty shall have been caused by the fault or negligence of the released party, or anyone for whom such party may be responsible, provided, however, that this release shall be applicable and in force and effect only with respect to loss or damage occurring during such time as the releasor's insurance policies shall contain a clause or endorsement to the effect that any such release shall not adversely affect or impair said policies or prejudice the right of the releasor to recover thereunder. Each of Landlord and Tenant agrees that its policies will include such a clause or endorsement so long as the same shall be obtainable without extra cost, or if extra cost shall be charged therefor, so long as the first party shall advise the other thereof of the amount of the extra cost, and the other party, at its election, may pay the same, but shall not be obliged to do so.

20. SURRENDER. Tenant shall at the expiration or other termination of this lease remove all of Tenant's goods and effects from the Demised Premises, including, without hereby limiting the generality of the foregoing, all signs and lettering affixed or painted by Tenant, either inside or outside the Demised Premises. Tenant shall deliver to Landlord the Demised Premises, broom clean and in the same condition as they were in at the earlier of the commencement of the term or completion of initial Tenant improvements, reasonable wear and tear and damage by fire or other casualty only excepted, which shall include the removal of any changes and improvements made to the Demised Premises by Tenant during the term hereof, and the return of the Demised Premises to their original configuration and design. In the event of

Tenant's failure to remove any of Tenant's property from the Demised Premises, Landlord is hereby authorized, without liability to Tenant for loss or damage thereto, and at the sole risk of Tenant, to remove and store any of the property at Tenant's expense, or to retain the same under Landlord's control or to sell at public sale, without notice, any or all of the property not so removed without obligation to account to Tenant therefor, or Landlord may, if it so desires, destroy such property.

21. DEFAULT AND BANKRUPTCY. In the event that:

(a) Tenant shall default in the payment of any installment of rent or other sum herein specified and such default shall continue for five (5) days; or

(b) Tenant shall default in the observance or performance of any other of Tenant's covenants, agreements, or obligations hereunder and such default shall not be corrected within thirty (30) days after notice thereof, or if not susceptible to cure within said thirty (30) days, for a reasonable period to cure so long as Tenant commences to cure within said thirty (30) days, and diligently prosecutes said cure; or

(c) Tenant shall be declared bankrupt or insolvent according to law, or if any bankruptcy or insolvency proceedings shall be commenced by or against Tenant, or if any assignment shall be made of Tenant's property for the benefit of creditors, or if a receiver, trustee or assignee shall be appointed for the whole or any part of Tenant's property (provided that, in the case of an involuntary bankruptcy petition or involuntary appointment of a receiver or trustee, such occurrence shall constitute a default only if the same is not dismissed within sixty (60) days) then Landlord shall have the right thereafter to re-enter and take possession of the Demised Premises, to declare the term ended and remove Tenant's effects without prejudice to any remedies which might otherwise be used for arrears of rent or other default. If Tenant shall default, after thirty (30) days' notice thereof (or, in the case of emergency, after such notice thereof as may be reasonable under the circumstances), in the observance or performance of any conditions or covenants on Tenant's part to be observed or performed under or by virtue of any of the provisions in any Article of this lease, Landlord without being under any obligation to do so and without thereby waiving such default, may remedy such default for the account and at the expense of Tenant. If Landlord makes any expenditures or incurs any obligations for the payment of money in connection therewith, including, but not limited to, reasonable attorneys' fees in instituting, prosecuting or defending any action or proceeding plus all court costs, such sums paid or obligations incurred, with interest at an annual rate (the "Default Rate") equal to the lesser of (i) 4% above the "Prime Rate" most recently announced by The First National Bank of Boston and (ii) the highest rate of interest which may lawfully be charged by Landlord, shall be paid to Landlord by Tenant as additional rent. If Tenant shall consist of more than one person, or if there shall be any guarantor of Tenant's obligations, then the liability of all such persons, including any such guarantor, shall be joint and several, and the word "Tenant", as used in clause (c) above, shall be deemed to mean any one of such persons.

In the event (i) any payment of rent (annual or additional) is not post-marked within three (3) days of the due date, or (ii) a check received by Landlord from Tenant shall be dishonored, then because actual damages for a late payment or for a dishonored check are extremely difficult to fix or ascertain, but recognizing that damage and injury result therefrom, Tenant agrees to pay \$200.00 as liquidated damages for each late payment and \$35.00 as liquidated damages for each time a check is dishonored. (The grace period herein provided is strictly related to the liquidated damages for a late payment and shall in no way modify or stay Tenant's obligation to pay rent when it is due, nor shall the same preclude Landlord from pursuing its remedies under this Article 21, or as otherwise allowed by law.) In the event that two (2) or more Tenant's checks are dishonored, Landlord shall have the right, in addition to all other rights under this lease, to demand all future payments by certified check or money order. Furthermore, if any payment of rent (annual or additional) or any other payment payable hereunder by the Tenant to Landlord shall not be paid when due, the same shall bear interest, from the date when the same was due until the date paid, at the Default Rate. Such interest shall constitute additional rent payable hereunder.

If Landlord shall have the right to re-enter the Demised Premises as aforesaid, then in lieu thereof, Landlord may send written notice to Tenant of the termination of this lease, and in such event the term shall end on the fifth (5th) day next following the date of the sending of the notice. Notwithstanding the provisions of clause (a) of the first sentence of this Article, if Landlord shall have rightfully given Tenant notice of default pursuant to said clause twice during any twelve-month period, and if Tenant shall thereafter default in the payment of rent or other payments, then Landlord shall have no further obligation to provide notice of such default, and the grace period provided above shall commence immediately on the date of Tenant's failure to perform the relevant obligation. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause.

In case this lease shall be so terminated, Tenant will indemnify Landlord each month against all loss of rent and all obligations which Landlord may incur by reason of any such termination between the time of termination and the expiration of the term; or at the election of Landlord, exercised at the time of the termination or at any time thereafter, Tenant will indemnify Landlord each month until the exercise of the election against all loss of rent and other obligations which Landlord may incur by reason of such termination during the period between the time of the termination and the exercise of the election, and upon the exercise of the election Tenant will pay Landlord as damages such amount as at the time of the exercise of the election represents the amount by which the rental value of the Demised Premises for the period from the exercise of the election until the expiration of the term shall be less than the amount of rent and other payments provided herein to be paid by Tenant to Landlord during said period. It is understood and agreed that at the

time of the termination or at any time thereafter Landlord may rent the Demised Premises (and agrees to use reasonable efforts in attempting to do so), for a term which may expire before or after the expiration of the term, without releasing Tenant from any liability (excluding acts of new tenant) whatsoever, and that Tenant shall be liable for any expenses incurred by Landlord in connection with obtaining possession of the Demised Premises, with removing from the Demised Premises property of Tenant and persons claiming under it (including warehouse charges), with putting the Demised Premises into good condition for reletting, and with any reletting, including, but without limitation, reasonable attorneys' fees and brokers' fees, and that any monies collected from any reletting shall be applied first to the foregoing expenses and then to the payment of rent and all other payments due from Tenant to Landlord for the period to which such monies collected relate, and any remaining monies shall be and remain the sole property of Landlord.

22. **HOLDING OVER.** If Tenant shall continue to occupy the Demised Premises following the expiration or earlier termination of this lease, Tenant shall be deemed to be occupying the Demised Premises as a tenant at sufferance. Such tenancy at sufferance shall be upon all of the terms and conditions set forth in this lease with the exception of rent payments, which shall be in the form of use and occupancy, and at a rate equal to one hundred and fifty (150%) percent of the amount of rent last provided for hereunder.

23. **SECURITY DEPOSIT.** Landlord acknowledge that it has received from Tenant the security deposit set forth in said Lease Information Page, said sum to serve as security for the payment of rents and the performance and observance of the agreements and conditions in this lease contained on the part of Tenant to be performed and observed. In the event of any default or defaults in such payment, performance or observance, Landlord may apply said sum or any part thereof toward curing of any such default or defaults and/or toward compensating Landlord for any loss or damage arising from any such default or defaults. Upon the expiration or earlier termination of this lease, said sum (or so much thereof as may remain after application in satisfaction of any existing defaults or liabilities of Tenant hereunder) shall be returned to Tenant, without interest. It is understood and agreed that Landlord shall always have the right to apply said sum, or any other remedy or remedies in the event of any such default or defaults, without prejudice to any other remedy or remedies which Landlord may have or Landlord may pursue any other such remedy or remedies in lieu of (and in addition to) applying said sum or part thereof. If Landlord shall apply said sum or any part thereof as aforesaid, Tenant shall upon demand pay to Landlord the amount so applied by Landlord, to restore the security to its original amount.

24. **WAIVER.** Failure of either party to complain of any act or omission on the part of the other party, no matter how long the same may continue, shall not be deemed to be a waiver by either party of any of its rights hereunder. No waiver by either party at any time, express or implied, of any breach of any provision of this lease shall be deemed a waiver of a breach of any other provision of this lease or a consent to or approval of any other action on the same or any subsequent occasion. No payment by tenant or acceptance by Landlord shall be deemed to be anything but payment on account, and the acceptance by Landlord of a check for a lesser amount with an endorsement or statement thereon or upon a letter accompanying said check that said lesser amount is payment if full shall not be deemed an accord and satisfaction, and Landlord may accept said check without prejudice to its right to recover the balance due or pursue any other remedy. Any and all rights and remedies which Landlord may have under this lease or by operation of law, either at law or in equity, upon any breach, shall be distinct, separate and cumulative and shall not be deemed inconsistent with each other; and no one of them, whether exercised by Landlord or not, shall be deemed to be in exclusion of any other; and any two or more of all of such rights and remedies may be exercised at the same time.

25. **LANDLORD'S LIABILITY.** The word "Landlord", as used herein, means only the owner for the time being of Landlord's interest in this lease. That is, in the event of any transfer of Landlord's interest in this lease, the transferor shall cease to be liable, and shall be released from all liability for the performance or observance of any agreements or conditions on the part of Landlord to be performed or observed subsequent to the time of said transfer, and the transferee shall be liable for the performance and observance of said agreements and conditions. If all or any part of Landlord's interest in this lease shall be held by a trust, corporation or any other form of business entity, no trustee, shareholder or beneficiary of said trust, corporation or business entity shall be personally liable for any of the covenants or agreements, expressed or implied, hereunder. Landlord's covenants or agreements shall be binding upon the trustees of said trust, as trustees as aforesaid, or upon the corporation or business entity, as the case may be, but not individually, and upon the trust, corporate or business entity's estate. Without limiting the generality of the foregoing, and whether or not all or any part of Landlord's interest in this lease shall be held by a trust, corporation or business entity, Tenant specifically agrees to look solely to Landlord's interest in the building (and Landlord's liability insurance coverage) for recovery of any judgment from Landlord: it being specifically agreed that Landlord's shall never otherwise be personally liable for any such judgment. However, each succeeding holder of the Landlord's interest hereunder shall be liable for the defaults of the Landlord hereunder occurring during or prior to the period during which such person holds the Landlord's interest hereunder. In no event shall Landlord be liable to Tenant for any incidental or consequential damages sustained by Tenant from whatever cause.

If Landlord fails to perform any of its agreements contained in this Lease and such failure continues for thirty (30) days after written notice thereof (except (i) where a shorter period is reasonably required due to emergency, or (ii) where a longer period is reasonably required to complete such cure), Tenant may cure such failure on behalf of and at the expense of Landlord and do all reasonably necessary work, make all reasonably necessary payments, or otherwise take such other reasonable action at law or in equity as Tenant deems necessary, notwithstanding any other remedy provided for herein. Landlord agrees to reimburse Tenant for any amount so paid or incurred within thirty

(30) days after completion of such work and proof of payment thereof, (together with interest thereon at the same rate as the default rate chargeable to Tenant herein, if not so timely paid), in default of which Tenant shall have the right to set off all such sums against future payments of rent due hereunder.

26. NOTICE. Any notice from Landlord to Tenant shall be deemed duly served if hand delivered, mailed by registered or certified mail, return receipt requested, postage prepaid, or if sent by prepaid Federal Express or other similar overnight delivery service, addressed to Tenant (to the attention of John F. White, President and CEO and with a copy to Alicia R. Lopez, General Counsel) at Tenant's Notice Address. Any notice from Tenant to Landlord shall be deemed duly served if mailed to Landlord by registered or certified mail, return receipt requested, postage prepaid, or if sent by prepaid Federal Express or other similar overnight delivery service, addressed to Landlord at Landlord's Notice Address, as specified on the Lease Information Page, or at such other address or addresses as may be designated in writing by Landlord from time to time.

27. SUBORDINATION. This lease shall be subject and subordinate to any and all mortgages, deeds of trust and other instruments in the nature of a mortgage now or at any time hereafter a lien or liens on the property of which the Demised Premises are a part, and Tenant shall, when requested, promptly execute and deliver such written instruments as shall be necessary to show the subordination of this lease to said mortgages, deeds of trust or other such instruments in the nature of a mortgage. Landlord agrees to obtain a "non-disturbance agreement" on behalf of Tenant from the holder of any mortgage, deed of trust or other instruments in the nature of a mortgage to which this Lease is to be subordinate. Any mortgagees may, at its election, make its mortgage subordinate to this lease. In any event, Tenant expressly agrees to attorn to any mortgagee (and to the successor in interest to any mortgagee) which succeeds to the interest of Landlord hereunder. At any time or times during the term of this lease and within fifteen (15) days after written request therefor by Landlord, Tenant agrees to deliver to Landlord or to any mortgagee a certificate stating that Tenant has entered into occupancy of the Demised Premises in accordance with the provisions of this lease, that this lease is in full force and effect, and any other information reasonably requested.

28. BROKERS. Tenant hereby represents and warrants to Landlord that, except for the broker listed on said Lease Information Page, if any, it has dealt with no broker in connection with this lease. Tenant hereby agrees to hold Landlord harmless from, and indemnified against, all loss or damage (including, but without limitation, the cost of defending the same) arising from any claim by any broker or other person (other than said listed broker, if any, whose compensation shall be paid by Landlord) claiming to have dealt with Tenant.

29. EXTENSION OPTION. Provided Tenant is not then in default under this Lease (and shall not be in default on the expiration date of this lease, or any subsequent option period, beyond any applicable cure period), Tenant shall have the option, subject to the conditions set forth below, to extend this Lease for the terms set forth on the Lease Information Page (the "extension period"), upon the terms and conditions as in this Lease contained. To exercise this option Tenant shall give written notice to Landlord not later than one hundred and eighty (180) days prior to the expiration of the original term herein provided. Tenant shall pay to Landlord for each year of such extension period base annual rent equal to that set forth on the Lease Information Page, for the option term.

30. RECORDING. Tenant shall not record this lease, but, at the request of either party hereto, Landlord and Tenant shall execute and record a "Notice of Lease", in the form (and containing the information) provided by law.

31. SUCCESSORS AND ASSIGNS. This lease shall be binding upon, and inure to the benefit of any permitted successors and assigns of Tenant and any successors and assigns of Landlord.

32. MARGINAL NOTES. The marginal notes used as headings for the various Articles of this lease are used only as a matter of convenience for reference, and are not to be considered a part of this lease or to be used in determining the intent of the parties to this lease.

33. DEFINITIONS AND INTERPRETATION. This lease shall be governed in all respects by the laws of the Commonwealth of Massachusetts as the same may be in effect from time to time. It is agreed that if any provisions of this lease shall be determined to be void by any court of competent jurisdiction, then such determination shall not affect any other provisions of this lease, all of which other provisions shall remain in full force and effect; and it is the intention of the parties hereto that if any provision of this lease is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid.

This instrument contains the entire and only agreement between the parties, and no oral statements or representations or prior written matter not contained or referred to in this instrument shall have any force or effect. This lease shall not be modified in any way except by writing subscribed by both parties.

The submission of this lease for examination does not constitute a reservation of, or option for, the Demised Premises, and this lease becomes effective as a lease only upon execution and unconditional delivery thereof by both Landlord and Tenant.

IN WITNESS WHEREOF, this lease has been executed as a sealed instrument as of the Date of Lease set forth on said Lease Information Page.

LANDLORD:

TENANT:

by its general partner
New Avon Development Corp.

By: /s/ *****

By: /s/ JOHN F. WHITE

John F. White, President
Hereunto duly authorized

RULES AND REGULATIONS

- (A) The holder of the interest of Tenant under the lease shall always conduct it's operations in the Demised Premises under it's present trade name (Tenant representing that it has the right to use such trade name) or any subsequent trade name which Tenant has the right to use, subject to Tenant providing Landlord with (30) days prior written notice of a change in Tenant's trade name.
- (B) Tenant shall at all times appropriately light, heat and air condition the Demised Premises. Tenant shall cooperate with Landlord in all reasonable respects, in order to assure the efficient and effective use of the heating and air conditioning system and the electric and other utilities systems serving the Demised Premises;
- (C) The plumbing and utilities systems serving the Demised Premises shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind shall be thrown therein. Tenant will not overload the utilities systems serving the Demised Premises or the floor, ceiling or walls of the Demised Premises. Tenant shall not permit the Demised Premises to be damaged, stripped or defaced, nor suffer any waste.
- (D) No awning or other projections shall be attached by Tenant to the exterior walls of the Demised Premises;
- (E) All loading and unloading of goods shall be done only in the areas and through the entrances designated for such purpose by Landlord;
- (F) All garbage and refuse shall be kept in containers specified by Landlord, shall be placed in the areas specified by landlord;
- (G) No radio or television or other similar device shall be installed, and no aerial shall be erected on the roof, or on exterior walls of the Demised Premises or the building, without in each instance having obtained Landlord's prior written consent. Any such device or aerial so installed without such prior written consent shall be subject to Landlord's right to require removal of the device or aerial at any time, without notice, at Tenant's sole cost and expense;
- (H) No loudspeakers, television sets, phonographs, radios or other devices, equipment or machinery shall be used in a manner so as to be heard or seen outside of the Demised Premises without the prior written consent of Landlord;
- (I) Sales using the auction method of selling, fire sales and closing out or going out of business sales shall not be conducted on or about the Demised Premises without the prior written consent of Landlord;
- (J) Tenant shall not place or permit any obstructions or merchandise in (or otherwise use in a way which interferes with the use thereof by others entitled thereto) any service corridors, sidewalks, entrances, passages, courts, corridors, elevators or stairways;
- (K) Tenant shall use, at Tenant's cost, a pest extermination contractor who will provide services in a professional manner in accordance with tenant's regulatory requirements;
- (L) Except for those exclusively for use by employees of Tenant which are not visible from the sales area of the Demised Premises or the exterior of the Demised Premises, Tenant shall not operate any coin-or token-operated vending machine or similar device for the sale of any goods, wares, merchandise, food, beverages or services, including, but not limited to, pay telephones, pay lockers, pay toilets, scales, amusement devices and machines for the sale of beverages, food, candy, cigarettes or other commodities, without the prior written consent of the Landlord;
- (M) Tenant shall keep the Demised Premises in a clean and neat condition. Tenant shall not make unreasonable noises, cause disturbances or vibrations or use or operate any electrical devices or other devices that emit sound or other waves or disturbances, or create odors, or otherwise create or permit to exist in and about the Demised Premises any nuisance which may be offensive to other tenants and occupants of the building or that would interfere substantially with the operation of any device or equipment or radio or television broadcasting or reception from or within the building or elsewhere;
- (N) No additional or different locks or bolts shall be affixed by Tenant to the doors of the Demised Premises except by prior written notice to Landlord. Landlord consents to the Tenants installation of an electronic card access system, the installation of which shall be subject to the terms and conditions of this Lease. Tenant will make suitable arrangements for Landlord's access to the premises. Not later than the date on which Tenant assumes exclusive possession of the Demised Premises, Tenant will provide Landlord with the name and home telephone number of persons who will be available on a twenty-four hour basis, in order to assure Landlord of the ability to gain access to the

Demised Premises whenever permitted to do so pursuant to the terms of the lease;

EXHIBIT C

Determination of Market Rate

Landlord shall, within thirty (30) days of receiving Tenant's written notice of Tenants exercise of the Extension Option(s), designate the Market Rate for the Demised Premises for the Option Period(s), as such term is defined on the Lease Information Page. If Tenant disagrees with Landlord's designation of the Market Rate, Tenant shall have the right by written notice given within thirty (30) days after Tenant has been notified of Landlord's designation, to submit the determination of Market Rate to arbitration. Market Rate shall be submitted to arbitration as follows: Market Rate shall be determined by impartial arbitrators, one to be chosen by Tenant at the time it submits such Market Rate to arbitration, one to be chosen by Landlord within fifteen (15) days thereafter, and a third to be selected, if necessary, as provided below. Each arbitrator shall be an M.A.I. appraiser or shall have at least five (5) years experience in evaluating real estate similar to the Demised Premises. The unanimous decision of the two first chosen, without selection and participation of a third arbitrator, or otherwise, the written decision of the third arbitrator chosen and selected as provided below, shall be conclusive and binding upon Landlord and Tenant. Unless the two arbitrators selected by Landlord and Tenant have reached a designation, they shall so notify the then Regional Director of the Boston chapter of the American Arbitration Association and request him to select an impartial third arbitrator, to determine Market Rate as herein defined. Within thirty (30) days after being designated, the third arbitrator shall determine the Market Rate as being either the Market Rate determined by Landlord's appraiser or the Market Rate determined by Tenant's appraiser, whichever he believes to be closer to the true Market Rate. The arbitration contemplated hereunder shall be governed by the commercial arbitration rules of the American Arbitration Association. Landlord shall bear the costs and expenses of the arbitrator which it chooses and Tenant shall bear the cost and expenses of the arbitrator which it chooses. In arriving at their determination hereunder, the arbitrators shall consider the rental market for space comparable to the space adjacent to the Demised Premises within a five (5) mile radius of the Building. Landlord and Tenant shall bear the expense of the third arbitrator and the costs and expenses of the arbitration proceeding hereunder equally. If the dispute between the parties as to the Market Rate has not been resolved before the commencement of the extension term, then Tenant shall pay rent for the extension term based upon the minimum rent during the time period set forth herein and its additional share of Real Estate Taxes and Operation Cost payable with respect to the time period in question until either the agreement of the parties as to the Market Rate, or the decision of the arbitrators, as the case may be, at which time Tenant shall pay any underpayment of rent with respect to the time period in question to Landlord.

EXHIBIT A

HAEMONETICS, INC.

[DIAGRAM OF THE ODYSSEY BUILDING]

LIMITED WAIVER UNDER NOTE PURCHASE AGREEMENTS

This Limited Waiver Under Note Purchase Agreements (the "Waiver") is made as of this 30th day of April, 1998 by and among Allstate Life Insurance Company, Employers Insurance of Wausau A Mutual Company, State Farm Life Insurance Company and Nationwide Mutual Fire Insurance Company (herein collectively the "Purchasers") and Haemonetics Corporation, a Massachusetts corporation (the "Company"). Capitalized words used as defined terms herein and not otherwise defined shall have the meaning ascribed thereto in the Note Purchase Agreements (as defined below).

WITNESSETH

WHEREAS, the Purchasers and the Company have entered into separate and several Note Purchase Agreements each dated as of October 15, 1997 (the "Note Purchase Agreements") relating to the issuance by the Company of \$40,000,000 in aggregate principal amount of its 7.05% Senior Notes due October 15, 2007;

WHEREAS, Section 10.1 of the Note Purchase Agreements provides that the Company will at all times keep and maintain Consolidated Stockholders' Equity at an amount not less than \$200,000,000; and

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Purchasers and the Company hereby agree as follows:

1. Limited Waiver. The Purchasers hereby waive the Company's non-compliance with the provisions of Section 10.1 of the Note Purchase Agreements during the period commencing on March 28, 1998 and ending on April 3, 1999 (the "Waiver Period"), but no other Default or Event of Default which may exist under the Note Purchase Agreements or the Notes, provided that the Waiver provided in this Section 1 shall terminate (a) if at any time during the Waiver Period Consolidated Stockholders' Equity shall be less than \$185,000,000 or (b) if any covenant or agreement of the Company in Section 2 of this Waiver is violated or breached during the Waiver Period. Upon expiration of the Waiver Period or other termination of this Waiver all covenants of the Company under the Note Purchase Agreements as in effect prior to this Waiver shall be reinstated.

2. Representations, Warranties and Covenants of the Company. To induce the Purchasers to grant the waiver requested herein, the Company hereby represents, warrants and covenants to the Purchasers as follows:

- (a) The representations and warranties of the Company contained in the Note Purchase Agreements were true and correct when made and are true and correct at and as of the date hereof, except that all representations and warranties that expressly related to specific financial statements of the Company are deemed to be made herein with respect to the financial statements of the Company as of and for the period ended December 31, 1997, copies of which have been delivered to the Purchasers.
- (b) There exists no Default or Event of Default, after giving effect to the waiver contemplated hereby, under the Note Purchase Agreements or the Notes.
- (c) The Company has not, directly or indirectly, paid or caused to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or granted any security, to any holder of the Notes or any other creditor of the Company as consideration for or as an inducement to the entering into by any holder of the Notes or any other creditor of this Waiver or the Bank Waiver referred to in Section 3 hereof.
- (d) Notwithstanding anything to the contrary contained in Section 10.5 of the Note Purchase Agreements, during the period commencing on March 28, 1998 and ending on April 3, 1999, the Company shall not declare or pay any Restricted Payments (it being expressly agreed that dividends or other distributions payable solely in shares of common stock of the Company or rights to acquire common stock of the Company shall be permitted).
- (e) The ratio of the Consolidated EBIT to Consolidated Interest Expense (as defined below) shall not be less than 2.0 to 1.0 for any four fiscal quarter period ending during the period commencing on March 28, 1998 and ending on April 3, 1999. "Consolidated EBIT" shall mean Consolidated Net Income plus interest and tax expenses of the Company and its Subsidiaries during the period of determination, determined on a consolidated basis after eliminating earnings or losses attributable to outstanding Minority Interests, but excluding in any event: (i) any restructuring charge taken by the Company in its fiscal quarter ended December 27, 1997 and (ii) any charge taken by the Company in its fiscal quarter ended March 28, 1998 relating to the Company's disposition of Blood Bank Management Services. "Consolidated Interest Expense" shall mean all interest expense of the Company and

its Subsidiaries during the period of determination, determined on a consolidated basis after eliminating interest expense, if any, attributable to outstanding Minority Interests.

3. Condition to Effectiveness. The effectiveness of the waiver requested herein shall be subject to (a) the Purchasers' receipt of pro forma financial statements reflecting the Company's forecasted sources and uses of income and cash flows for its fiscal years 1998 through 2008, after giving effect to the divestiture of the Company's blood collection centers, which financial statements shall be acceptable in form and substance in all respects to the Required Holders and demonstrate that the Company remains able to service its obligations under the Notes and otherwise (receipt of which, by their execution below, is hereby acknowledged), (b) the Company's and the Purchasers' receipt of this Waiver duly executed by the Company and the Required Holders, and (c) the Company's receipt of a waiver (the "Bank Waiver") under that certain Revolving Credit Agreement dated as of June 25, 1997 among the Company, as Borrower, and Mellon Bank, N.A., BankBoston, N.A. and the Sanwa Bank, Limited, as the Banks, as the same may be amended, modified or supplemented through the date hereof, which waiver shall waive the Company's non-compliance with certain provisions contained therein in form and substance satisfactory to the Required Holders.

4. Effect of Waiver. The Waiver set forth herein shall be limited precisely as written and shall not be deemed a waiver or modification of any other term or condition of the Note Purchase Agreements or to be a consent to any future waiver of any provision thereof.

5. Note Purchase Agreements and Notes Ratified. This Waiver shall be construed in connection with each of the Note Purchase Agreements, and except as expressly modified by this Waiver, all terms, conditions and covenants contained in the Note Purchase Agreements and Notes are hereby ratified and shall be and remain in full force and effect.

6. Counterparts. This Waiver may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument.

7. Governing Law. This Waiver shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Illinois.

* * * * *

The foregoing waiver is hereby accepted and agreed to as of the date first written above.

ALLSTATE LIFE INSURANCE COMPANY

By: /s/ Patricia W. Wilson

By: /s/ Daniel Leimbach

EMPLOYERS INSURANCE OF WAUSAU
A MUTUAL COMPANY

By: _____

STATE FARM LIFE INSURANCE COMPANY

By: _____

By: _____

NATIONWIDE MUTUAL
FIRE INSURANCE COMPANY

By: _____

HAEMONETICS CORPORATION

By: _____

The foregoing waiver is hereby accepted and agreed to as of the date first written above.

ALLSTATE LIFE INSURANCE COMPANY

By: _____

By: _____

EMPLOYERS INSURANCE OF WAUSAU
A MUTUAL COMPANY

By: /s/ James W. Pruden

Attorney-in-fact

STATE FARM LIFE INSURANCE COMPANY

By: _____

By: _____

NATIONWIDE MUTUAL
FIRE INSURANCE COMPANY

By: _____

HAEMONETICS CORPORATION

By: _____

The foregoing waiver is hereby accepted and agreed to as of the date first written above.

ALLSTATE LIFE INSURANCE COMPANY

By: _____

By: _____

EMPLOYERS INSURANCE OF WAUSAU
A MUTUAL COMPANY

By: _____

STATE FARM LIFE INSURANCE COMPANY

By: _____

By: _____

NATIONWIDE MUTUAL
FIRE INSURANCE COMPANY

By: /s/ James W. Pruden

Vice President, Municipal Securities

HAEMONETICS CORPORATION

By: _____

The foregoing waiver is hereby accepted and agreed to as of the date first written above.

ALLSTATE LIFE INSURANCE COMPANY

By: _____

By: _____

EMPLOYERS INSURANCE OF WAUSAU
A MUTUAL COMPANY

By: _____

STATE FARM LIFE INSURANCE COMPANY

By: _____

By: _____

NATIONWIDE MUTUAL
FIRE INSURANCE COMPANY

By: _____

HAEMONETICS CORPORATION

By: /s/ Ronald J. Ryan

Senior Vice President of Finance

SUBSIDIARIES OF HAEMONETICS CORPORATION

Name	Jurisdiction of Incorporation

Haemonetics S.A. International	Switzerland
Haemonetics Scandinavia AB	Sweden
Haemonetics GmbH	Germany
Haemonetics France SARL	France
Haemonetics U.K. Ltd.	England
Haemonetics Japan Co., Ltd.	Japan
Haemonetics Ventures Corp.	Massachusetts
Haemonetics Foreign Sales Corp.	Virgin Islands
Haemonetics Services, Inc.	Delaware
Nyon Associates, Inc.	Delaware
Haemonetics Blood Services and Training Institute, Inc.	Delaware
Blood Management Services Inc.	Delaware
Haemonetics Belgium S.A./N.V.	Belgium
Haemonetics Italia S.R.L.	Italy
Haemonetics Handelsgesellschaft.m.b.H.	Austria
Haemonetics Asia Incorporated	Delaware

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Registration Statement File Nos. 33-42005, 33-42006, 33-70932, 33-70934, and 33-80652.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
June 19, 1998

12-MOS		
	MAR-28-1998	
	MAR-28-1998	21,766
		0
		59,704
		818
		61,664
	191,150	170,261
		86,042
		336,693
	78,358	53,586
	0	0
		293
		194,362
336,693		285,762
	285,762	150,007
		150,007
		42,434
		263
	3,373	
		4,466
		3,865
	601	
	(25,373)	
	0	
		0
	(24,772)	
	(0.93)	
	(0.93)	

12-MOS	MAR-29-1997	12-MOS	MAR-30-1996
	MAR-29-1997		MAR-30-1996
		8,272	13,432
	0		0
	71,874		60,984
	961		984
	54,928		56,710
	166,460	158,602	
		183,257	156,585
	85,855		73,716
	320,474		287,541
72,415		46,162	
	10,015		15,156
0		0	
	0		0
	292		288
	224,982		216,682
320,474		287,541	
	303,009		276,470
	303,009	276,470	
	143,846		122,468
	143,846		122,468
	18,586		18,104
	431		321
	1,721		2,290
	54,805		58,175
	19,171		20,351
35,634		37,824	
	(2,664)		(1,899)
	0		0
	0		0
	32,970		35,925
	1.21		1.32
	1.20		1.30