

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 29, 1997. Commission file number 1-10730

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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:

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.

The aggregate market value of the voting stock held by non-affiliates of the registrant based on the closing sale price of May 22, 1997, was approximately \$392,000,000.

The number of shares of the registrant's common stock, \$.01 par value, outstanding as of May 22, 1997 was 26,798,219.

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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 18, 1997.

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ITEM 1. BUSINESS

(a) New Developments in the Business.

FDA 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 follows 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. In addition, 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.

In June 1996, Haemonetics received marketing clearance from the FDA to market its MCS(R) and MCS(R)+ apheresis systems for use in Therapeutic Plasma Exchange. Therapeutic Plasma Exchange is the replacement of a patient's plasma with either fresh frozen plasma or albumin. This medical procedure is prescribed for an increasing number of indications, including autoimmune diseases such as Thrombotic Thrombocytopenic Purpura (TTP), Myasthenia Gravis and Guillian-Barre. The typical patient receives multiple treatments over weeks or months and, in some cases, years.

New Business Developments

In April 1997, Haemonetics announced the acquisition of the assets of the Tri-Counties Blood Bank, headquartered in Santa Barbara, California. The acquisition is subject to review and approval by the attorney general of the state of California. If approved, Tri-Counties will be operated as a wholly owned subsidiary of Haemonetics. All regulatory licenses owned by Tri-Counties will be included among the assets transferred, so through Tri-Counties Blood Bank, Haemonetics will be fully licensed to collect and distribute blood components. This acquisition is another significant step in the expansion of Haemonetics' blood products and service business in the U.S.

In October 1996, Haemonetics announced the formation of three key relationships with blood bank customers as part of the Company's blood bank service strategy. Two relationships took the form of management service agreements. The agreements were between the Company and the Oklahoma Blood Institute, a leading blood center in Oklahoma City, Oklahoma and between the Company and the New England Medical Center, a major tertiary care hospital in Boston, Massachusetts. Under these management service agreements, the Company is responsible to provide donor recruitment, component collection and distribution services to blood bank customers. For these services, the Company receives a fee for each blood component collected. The Company records this fee as revenue. The cost of the disposable kit and all other costs, direct and indirect, of producing the product are deducted from the fee revenue to arrive at the operating margin of the blood component. The centers operate under the responsible head and license of the partner. The third relationship took the form of a 50/50 joint venture between the Company and the San Diego Blood Bank to form Pacific Blood Services in Orange County, California.

The vertical integration of the Company into blood component collection through the development of the service business allows the Company to provide its partner with the Company's state of the art apheresis technology and financial and management resources. This in turn will allow these partners the ability to provide their communities, higher quality blood products at lower cost. This is critical given the pressures inflicted by managed care. Further, Haemonetics' involvement will help drive acceptance of its revolutionary red cell technology which is critical to the success of total apheresis, the automated collection of transfusable units of any of the blood's components; red cells, platelets or plasma.

In October 1996, Haemonetics announced a distribution agreement for its CollectFirst(R) system. Under this agreement, DePuy Orthopedics will be the exclusive distributor of the CollectFirst(R) system in the U.S. and Canadian orthopedics market. Haemonetics will continue to manufacture these products and distribute them outside of the U.S. into the orthopedics market. The CollectFirst(R) 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(R) system for washing of the collected red blood cells.

(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 two of the Company's present executive officers (John F. White and 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 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(R) 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(R) autologous blood recovery system, an automated portable system which requires limited operator monitoring and is designed for lower blood loss procedures. The CollectFirst(R) 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(R) 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(R)+ 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 are leading to conversion from manual to automated plasma collection techniques.

The Haemonetics automated plasma collection systems, PCS(R) and PCS(R)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(R) and PCS(R)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(R) systems. Under contracts with Alpha Therapeutics, Bayer and Centeon, the Company has agreed to install and service its PCS(R) and PCS(R)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. During fiscal year ended March 29, 1997, the Company began shipping plasma collection machines to 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(R)+ 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 29, 1997, sales of disposable products accounted for approximately 87% of net revenues. Sales of disposable products by the Company were 10% higher in 1997 than in 1996 and grew at a compound average annual growth rate of 8% for the three years ended March 29, 1997. There can be no assurance that sales of disposable products will continue to grow at this rate. Growth in sales of disposables is related to increases in installed equipment in use, as well as increased utilization rates of the Company's equipment. Service revenues, which are included as part of disposables revenues, accounted for approximately 2.7% of the Company's net revenues during the year ended March 29, 1997. Approximately 75% of service revenues for the year ended March 29, 1997 were generated from fees earned for the collection of blood products through the Company's service business. The remaining 25% of service revenues for the year ended March 29, 1997 were generated from equipment repairs performed under preventive maintenance contracts or emergency service billings.

Sales of equipment accounted for approximately 13% of net revenues in fiscal 1997 and approximately 12% in fiscal 1996. 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 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(R) products in North American cardiovascular hospitals primarily through the Bentley Laboratories division of Baxter International, Inc. ("Bentley"). In addition, Haemonetics distributes its CollectFirst(R) autologous blood collection system in the United States and Canada through DePuy Orthopedics. These relationships give Haemonetics valuable additional exposure to the important North American cardiovascular and orthopedic markets. 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 materials 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 electrical 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 materials 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 \$19.0 million, \$18.5 million and \$16.7 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 or extrusion of plastic parts. Molding tools 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 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 our 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, consisting entirely of established products, 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 Company's third and fourth quarters, 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 in many instances, by state and non-U.S. government agencies.

All medical devices introduced to the 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 nine 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 the countries 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 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 29, 1997, Haemonetics employed 1,526 persons assigned to the following functional areas: manufacturing, 819; sales and marketing, 235; general and administrative, 135; research and development, 86; quality control and field service, 121; and blood bank services, 130. 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 10 of the financial statements, page 31.

#### 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 72,000 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 10,000 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 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 two years. The facility and land were acquired for a cost of \$2,423,000. The facility is approximately 57,700 square feet.

The Company also leases sales, service and distribution facilities in the United Kingdom, France, Sweden, Switzerland, The Netherlands, Germany, Japan, Hong Kong, Italy, Belgium and Austria.

#### 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 product liability insurance or cause the premiums for such insurance to increase. The Company carries product liability 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 liability coverage 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





Net income.....	\$ 1.20	\$ 1.30	\$ 1.18	\$ 1.09	\$ 0.87	\$ 0.63	\$ 0.50	\$ 0.41	\$ 0.42	\$ 0.36
Weighted average number of common and common equivalent shares.....	27,451	27,722	28,443	28,802	28,612	28,342	27,554	27,554	27,554	27,554
=====										
Financial and Statistical Data:	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
-----										
Working capital.....	\$ 94,045	\$112,440	\$108,459	\$ 81,504	\$ 63,431	\$ 40,919	\$ 29,471	\$ 27,233	\$ 30,369	\$ 19,668
Current ratio.....	2.3	3.4	3.2	2.7	2.6	2.1	1.8	1.8	2.4	1.7
Property, plant and equipment, net.....	\$103,610	\$ 86,416	\$ 82,059	\$ 68,342	\$ 56,015	\$ 46,751	\$ 42,300	\$ 36,214	\$ 23,267	\$ 20,403
Capital expenditures.....	\$ 32,048	\$ 19,710	\$ 24,907	\$ 22,891	\$ 17,595	\$ 11,373	\$ 12,975	\$ 17,538	\$ 7,314	\$ 7,616
Depreciation and amortization..	\$ 12,269	\$ 13,143	\$ 13,711	\$ 10,720	\$ 8,517	\$ 6,954	\$ 6,996	\$ 4,561	\$ 3,494	\$ 4,569
Total assets.....	\$323,546	\$287,818	\$280,509	\$230,684	\$187,755	\$144,846	\$117,754	\$110,630	\$ 87,752	\$ 68,399
Total debt.....	\$ 29,526	\$ 18,534	\$ 33,392	\$ 14,278	\$ 13,562	\$ 24,098	\$ 24,805	\$ 33,903	\$ 28,588	\$ 14,792
Stockholders' equity.....	\$225,274	\$216,970	\$193,177	\$160,776	\$126,650	\$ 90,581	\$ 67,543	\$ 54,083	\$ 42,415	\$ 31,627
Return on average equity.....	14.9%	17.5%	19.0%	21.9%	22.8%	22.8%	22.7%	23.6%	31.1%	37.8%
Debt as a % of stockholders' equity.....	13.1%	8.5%	17.3%	8.9%	10.7%	26.6%	36.7%	62.7%	67.4%	46.8%
-----										
Number of employees.....	1,526	1,251	1,282	1,109	1,002	965	923	810	742	780
Net revenues per employee.....	\$ 203	\$ 222	\$ 205	\$ 224	\$ 216	\$ 183	\$ 170	\$ 154	\$ 155	\$ 117
-----										

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

##### Results of Operations

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

	Percentage of Net Revenues			Percentage Increase	
	Year Ended March 29, 1997	Year Ended March 30, 1996	Year Ended April 1, 1995	1997/96	1996/95
Net revenues.....	100.0%	100.0%	100.0%	11.4%	6.0%
Cost of goods sold.....	48.4	44.4	44.8	21.4	5.1
Gross profit.....	51.6	55.6	55.2	3.3	6.7
Operating expenses:					
Research and development.....	6.2	6.6	6.4	2.7	10.4
Selling, general and administrative.....	29.8	29.5	28.8	12.9	8.0
Total operating expenses.....	36.0	36.1	35.2	11.0	8.4
Operating income.....	15.6	19.5	20.0	(10.9)	3.8
Interest expense.....	(0.6)	(0.8)	(0.7)	(24.6)	26.4
Interest income.....	1.0	0.8	0.9	40.0	(17.6)
Other income (expense), net.....	0.4	0.4	(0.2)	(3.9)	321.9
Income before provision for income taxes.....	16.4	19.9	20.0	(8.2)	5.1
Provision for income taxes.....	5.8	7.0	7.2	(8.2)	2.1
Net income.....	10.6%	12.9%	12.8%	(8.2%)	6.8%
=====					

##### 1997 compared to 1996

Net revenues in 1997 increased 11.4% to \$309.8 million from \$278.2 million in 1996. Worldwide disposable sales increased approximately 10.2% due to growth in both the domestic and international markets. Sales of disposables products accounted for approximately 87% and 88% of net revenues for 1997 and 1996, respectively. Service revenues, which are included as part of disposables revenues, accounted for approximately 2.7% and 1.7% of the Company's net revenues for 1997 and 1996, respectively. Service revenues generated from fees earned for the collection of blood products through the Company's service business represented approximately 2.0% and .6% for 1997 and 1996 respectively. The balance of the service revenues in both years was generated from equipment repairs performed under preventive maintenance contracts or emergency service billings. Equipment sales increased approximately 19.5% due to growth in the domestic surgical market. International sales accounted for approximately 62% and 61% of net revenues for 1997 and 1996, respectively.

Gross profit in 1997 increased to \$159.8 million from \$154.6 million in

1996. As a percentage of net revenues, gross profit percent decreased by 4.0% to 51.6% in 1997 from 55.6% in 1996. Approximately twenty-five percent of the decrease was due to the start up of the Company's service business. The majority of the decrease, over fifty percent, was due to the Company's higher manufacturing costs for more complex products and the pressure on product prices inflicted by managed care. The remaining decrease, under twenty percent, was due to the shift in sales from the higher margin surgical disposable products to the lower margin plasma disposable products. The Company does not see any change in these trends in the near term.

The Company expended \$19.0 million in 1997 on research and development (6.2% of net revenues) and \$18.5 million in 1996 (6.6% of net revenues).

Selling, general and administrative expenses increased to \$92.3 million in 1997 from \$81.8 million in 1996 and increased as a percentage of net revenues to 29.8% from 29.5%. The increase resulted primarily from start up costs associated with the Company's entry into the service business and worldwide regulatory costs incurred for red cell apheresis.

Operating income, as a percentage of net revenues, decreased 3.9% to 15.6% in 1997 from 19.5% in 1996. Approximately twenty-five percent of the decrease was due to the start up of the Company's service business. The remainder of the decrease was primarily due to the Company's higher manufacturing costs for more complex products and the pressure on product prices inflicted by managed care. The Company does not see any change in these trends in the near term.

Interest expense decreased in 1997 to \$1.8 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.

#### 1996 compared to 1995

Net revenues in 1996 increased 6.0% to \$278.2 million from \$262.4 million in 1995. Worldwide disposable sales increased 7.7% while increased equipment sales in the domestic markets were offset by decreases in the international markets. Sales of disposables products accounted for approximately 88% and 87%, respectively, of net revenues for the twelve months ended March 30, 1996 and April 1, 1995. During the first half of 1995, the Company discontinued distribution of the SCD system (Sterile Connection Device) and its disposables wafers. Without the effects of such sales, net revenues increased 7.4% in 1996 from 1995, and worldwide disposables sales increased 9.3% and worldwide equipment sales decreased 4.3%.

Gross profit in 1996 increased to \$154.6 million from \$144.9 million in 1995. As a percentage of net revenues, gross profit increased 0.4% to 55.6% in 1996 from 55.2% in 1995. The favorable manufacturing variance during the year accounts for 0.7% of the increase in gross profit. This was offset by a 0.3% decrease attributable to lower margins on domestic sales.

The Company expended \$18.5 million in 1996 on research and development (6.6% of net revenues) and \$16.7 million in 1995 (6.4% of net revenues).

Selling, general and administrative expenses were \$81.8 million in 1996 and \$75.7 million in 1995 due to increased staffing and related personnel costs in both the domestic and international markets.

Interest expense increased in 1996 to \$2.3 million from \$1.8 million in 1995 due to increases in both the average level of borrowing during the year and in interest rates. Interest income decreased in 1996 to \$2.1 million from \$2.5 million in 1995 resulting from a decrease in the Company's average investment in sales-type leases of its equipment during the year. In 1996, other income, net, was \$1.1 million compared to other expenses, net, of \$0.5 million in 1995 due to the lower net costs of foreign exchange contracts.

The provision for income taxes decreased as a percentage of pretax income to approximately 35.0% in 1996 from 36.0% in 1995, due to favorable tax treatment of certain international operations.

#### Liquidity and Capital Resources

The Company historically has satisfied its cash requirements principally from internally generated cash flow and bank borrowings. During the twelve months ended March 29, 1997, the Company generated \$26.7 million in cash flow from operating activities compared to \$54.8 million in cash flow from operating activities for the twelve months ended March 30, 1996. The Company's need for funds is derived primarily from capital expenditures, acquisitions, treasury stock purchases and working capital. During the twelve months ended March 29, 1997, net cash used for capital expenditures was \$32.0 million related to equipment utilized in the U.S. commercial plasma business and manufacturing operations and investments in the Company's service businesses. The change in accounts receivable utilized net cash of \$17.1 million and the increase in accounts payable, accrued expenses and deferred revenue provided \$14.4 million in 1997. The increase in sales type leases utilized cash of \$13.2 million attributable to growth in the plasma business worldwide. In 1997 the need for funds not satisfied by the internally generated cash flow was satisfied by an increase to the committed bank lines of \$14.1 million. Conversely, in 1996, the Company paid down its revolving credit agreements by \$12.8 million. At the April 1997 board meeting, the board approved the increase in the Company's committed bank lines to \$40.0 million from \$20.0 million. The Company intends to secure the additional financing by the end of the first quarter of 1998.

The Company used \$15.8 million to repurchase 902,100 shares of treasury

stock during the twelve months ended March 29, 1997. On January 19, 1996, the Company's Board of Directors approved an additional 1,000,000 share repurchase program to be implemented upon the completion of the existing 1,000,000 share program. Combined under both programs there remains approximately 589,800 shares available to repurchase by the Company at prevailing prices as market conditions warrant.

At March 29, 1997, the Company had working capital of \$94.0 million. This reflects a decrease of \$18.4 million in working capital for the twelve months ended March 29, 1997.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

HAEMONETICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)

	March 29, 1997	March 30, 1996
	-----	-----
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 8,302	\$ 13,434
Accounts receivable, less allowance of \$961 in 1997 and \$984 in 1996....	72,199	60,326
Inventories.....	55,090	56,729
Current investment in sales-type leases, net.....	13,559	11,020
Deferred tax asset.....	14,290	10,911
Other prepaid and current assets.....	4,229	6,459
	-----	-----
Total current assets.....	167,669	158,879
Property, plant and equipment:		
Land, building, and building improvements.....	25,676	23,156
Machinery and equipment.....	63,484	59,519
Furniture and fixtures.....	6,461	6,599
Commercial plasma and rental equipment.....	95,137	71,550
	-----	-----
Total property, plant and equipment.....	190,758	160,824
Less: accumulated depreciation.....	87,148	74,408
	-----	-----
Net property, plant and equipment.....	103,610	86,416
Other assets:		
Investment in sales-type leases, net.....	30,954	21,428
Distribution rights, net.....	10,266	12,418
Other assets, net.....	11,047	8,677
	-----	-----
Total other assets.....	52,267	42,523
	-----	-----
Total assets.....	\$ 323,546	\$ 287,818
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Notes payable and current maturities of long-term debt.....	\$ 19,511	\$ 3,378
Accounts payable.....	27,885	16,909
Accrued payroll and related costs.....	6,814	8,305
Accrued income taxes.....	10,478	8,345
Other accrued liabilities.....	8,936	9,502
	-----	-----
Total current liabilities.....	73,624	46,439
Deferred income taxes .....	12,770	9,253
Long-term debt, net of current maturities .....	10,015	15,156
Other long-term liabilities .....	1,863	--
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock, \$.01 par value; Authorized--80,000,000 shares;		
Issued--29,238,350 shares in 1997; 28,770,346 shares in 1996.....	292	288
Additional paid-in capital.....	56,547	52,355
Retained earnings.....	215,657	182,707
Cumulative translation adjustment.....	(6,162)	7,387
	-----	-----
Stockholders' equity before treasury stock.....	266,334	242,737
Less: treasury stock at cost--2,478,888 shares in 1997; 1,607,354 shares in 1996.....	41,060	25,767
	-----	-----
Total stockholders' equity.....	225,274	216,970
	-----	-----
Total liabilities and stockholders' equity.....	\$ 323,546	\$ 287,818
	=====	=====

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

HAEMONETICS CORPORATION AND SUBSIDIARIES

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

	Year Ended		
	March 29, 1997	March 30, 1996	April 1, 1995
Net revenues.....	\$ 309,817	\$ 278,216	\$ 262,416
Cost of goods sold.....	150,056	123,603	117,561
Gross profit.....	159,761	154,613	144,855
Operating expenses:			
Research and development.....	18,974	18,467	16,729
Selling, general and administrative.....	92,336	81,775	75,748
Total operating expenses.....	111,310	100,242	92,477
Operating income.....	48,451	54,371	52,378
Interest expense.....	(1,762)	(2,338)	(1,849)
Interest income.....	2,940	2,098	2,547
Other income (expense), net.....	1,079	1,123	(506)
Income before provision for income taxes.....	50,708	55,254	52,570
Provision for income taxes.....	17,738	19,329	18,925
Net income.....	\$ 32,970	\$ 35,925	\$ 33,645
Net income per share .....	\$ 1.20	\$ 1.30	\$ 1.18
Weighted average common and common equivalent shares outstanding...	27,451	27,722	28,443

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 Paid-in Capital	Retained Earnings	Treasury Stock	Cumulative Translation Adjustment	Total Stockholders' Equity
	Shares	\$'s					
Balance, April 2, 1994.....	28,215	\$ 282	\$ 48,674	\$ 113,197	\$ (2,176)	\$ 799	\$ 160,776
Employee stock purchase plan....	25	--	384	(18)	381	--	747
Exercise of stock options and related tax benefit.....	163	2	1,028	--	--	--	1,030
Purchase of treasury stock.....	--	--	--	--	(15,724)	--	(15,724)
Net income.....	--	--	--	33,645	--	--	33,645
Translation adjustment.....	--	--	--	--	--	12,703	12,703
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  
=====

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

HAEMONETICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	Year Ended		
	March 29, 1997	March 30, 1996	April 1, 1995
<b>Cash Flows from Operating Activities:</b>			
Net income.....	\$ 32,970	\$ 35,925	\$ 33,645
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	12,269	13,143	13,711
Increase (decrease) in deferred income taxes.....	3,588	(3,178)	892
Increase in accounts receivable--net.....	(17,116)	(1,931)	(9,880)
Increase in inventories.....	(876)	(188)	(13,474)
Increase in sales-type leases.....	(13,150)	(3,259)	(48)
(Increase) decrease in other assets.....	(5,322)	7,968	(3,166)
Increase (decrease) in accounts payable, accrued expenses and deferred revenue.....	14,382	6,330	(6,052)
	-----	-----	-----
Total adjustments.....	(6,225)	18,885	(18,017)
	-----	-----	-----
Net cash provided by operating activities.....	26,745	54,810	15,628
<b>Cash Flows from Investing Activities:</b>			
Capital expenditures on property, plant and equipment, net.....	(32,048)	(19,710)	(24,907)
Increase in distribution rights.....	--	--	(5,195)
DHL asset acquisition.....	--	(6,189)	--
	-----	-----	-----
Net cash used in investing activities.....	(32,048)	(25,899)	(30,102)
<b>Cash Flows from Financing Activities:</b>			
Payments on long-term real estate mortgage.....	(186)	(152)	(152)
Net increase (decrease) in short-term revolving credit agreements.....	17,545	(4,022)	2,175
Net increase (decrease) in long-term revolving credit agreements.....	(3,450)	(8,798)	14,132
Employee stock purchase plan.....	517	591	747
Exercise of stock options and related tax benefit.....	4,161	2,273	1,030
Purchase of treasury stock.....	(15,830)	(8,881)	(15,724)
	-----	-----	-----
Net cash provided by (used in) financing activities.....	2,757	(18,989)	2,208
Effect of exchange rates on cash and cash equivalents.....	(2,586)	(718)	339
	-----	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents.....	(5,132)	9,204	(11,927)
Cash and Cash Equivalents at Beginning of Year.....	13,434	4,230	16,157
	-----	-----	-----
Cash and Cash Equivalents at End of Year.....	\$ 8,302	\$ 13,434	\$ 4,230
	=====	=====	=====
<b>Supplemental disclosures of cash flow information:</b>			
Interest paid.....	\$ 2,834	\$ 1,791	\$ 1,441
Income taxes paid, net of refunds.....	\$ 15,228	\$ 22,058	\$ 22,583
	=====	=====	=====

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 also collects blood products for several of its blood bank customers under various forms of management service agreements.

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 1997, Fiscal 1996 and Fiscal 1995 each included 52 weeks.

## 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 per Share

Net income per share data are computed using the weighted average number of shares of common stock outstanding and common equivalent shares from stock options (using the treasury stock method). Fully diluted net income per share data have not been presented as the amounts do not differ significantly from primary net income per share. In March 1997 the FASB issued SFAS No. 128, "Earnings Per Share." It is effective for the Company in fiscal 1998. The more significant changes are the replacement of primary earnings per share (EPS) with basic EPS. Basic EPS is computed by dividing reported earnings available to common stockholders by weighted average shares outstanding. No dilution for any potentially dilutive securities is included. If basic EPS were reported for the year ended March 29, 1997 and March 30, 1996, the Company's basic EPS would have been \$1.21 and \$1.32, respectively. Fully diluted EPS, now called diluted EPS, which reflects common stock equivalents, is still required.

## Foreign Currency

Foreign currency transactions and financial statements are translated into U.S. dollars following the provisions of Statement of Financial Accounting Standard (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 1997, 1996 and 1995 are \$288,000, \$710,000 and \$583,000, 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 29, 1997 and March 30, 1996, 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 \$98,200,000 and \$144,234,000, respectively. Gross unrealized gains and losses from hedging firm sales commitments, based on current spot rates, were a \$7,132,000 gain and a \$4,000 loss at March 29, 1997 and a \$6,964,000 gain and a \$333,000 loss at March 30, 1996. Deferred gains and losses are recognized in earnings when the future sales are recognized. Management anticipates that these deferred amounts at March 29, 1997 will be offset by the foreign exchange effect on sales of products to international customers in fiscal 1998.

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 29, 1997 and March 30, 1996. 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.....	3-10 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 29, 1997	March 30, 1996
	-----	-----
	(in thousands)	
Raw materials.....	\$ 12,501	\$ 6,727
Work-in-process.....	5,628	6,699
Finished goods.....	36,961	43,303
	-----	-----
	\$ 55,090	\$ 56,729
	=====	=====

#### 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 acquire 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 \$13,900,000 as of both March 29, 1997 and March 30, 1996. The distribution rights are amortized on the straight-line basis over 20 years. The accumulated amortization was approximately \$3,253,000 and \$2,531,000 for the years ended March 29, 1997 and March 30, 1996. The Company assesses the future useful life of these rights whenever events or changes in circumstances indicate that the current useful life has diminished. The Company considers the future undiscounted cash flows of the rights in assessing the recoverability of the asset. 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.

#### Accounting for Stock-Based Compensation

In December 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation," which is to become effective for the Company in fiscal 1998. 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.

#### Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the 1997 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 29, 1997	March 30, 1996
	-----	-----
	(in thousands)	
Total minimum lease payments receivable.....	\$ 55,236	\$ 39,537
Less-- Unearned interest.....	10,723	7,089
	-----	-----
Net investment in sales-type leases.....	44,513	32,448
Less-- Current portion.....	13,559	11,020
	-----	-----
	\$ 30,954	\$ 21,428
	=====	=====

Future minimum lease payments receivable under noncancelable leases as of March 29, 1997 are as follows:

Fiscal Year Ending	(in thousands)
-----	
1998.....	\$ 17,276
1999.....	14,084
2000.....	10,692
2001.....	6,732
2002 and thereafter.....	6,452
	-----
	\$ 55,236
	=====

#### 4. NOTES PAYABLE AND LONG-TERM DEBT

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

	March 29, 1997	March 30, 1996
	-----	-----
	(in thousands)	
Real estate mortgage.....	\$ 8,754	\$ 8,923
U.S. borrowings.....	--	1,080
Non-U.S. borrowings.....	20,772	8,531
	-----	-----
	29,526	18,534
Less--Current portion.....	19,511	3,378
	-----	-----
	\$ 10,015	\$ 15,156
	=====	=====

#### 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 October 1, 1996 (the "Agreement"). This facility is available through September 30, 1999, on which date all borrowings become due. The uncommitted line is under a financing agreement dated July 29, 1996. As of March 29, 1997 neither the credit facility nor the uncommitted line had funds drawn against it.

Interest on all facilities bear interest, at the Company's option, at (a) the higher of the bank's base rate, the bank's prime rate or the Federal Funds effective rate plus 1%, (b) the Euro-Rate plus a margin of .35%-1% or (c) the money market rate. The Agreement provides for a commitment fee of 0.20% on the unused portion of the revolving credit facility. The Agreement contains several restrictive covenants principally related to the maintenance of minimum tangible net worth, debt to net worth ratio, and a minimum debt service interest ratio.

Non-U.S. borrowings represent the financing arranged by the Company's subsidiaries with local banks which may be guaranteed by the Company.

The weighted average short-term rates for U.S. and non-U.S. borrowings were 1.69%, 5.47% and 5.69% as of March 29, 1997, March 30, 1996 and April 1, 1995, respectively.

#### 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.

As of March 29, 1997, notes payable and long-term debt mature as follows:

Fiscal Years Ending -----	(in thousands)
1998.....	\$ 19,511
1999.....	1,638
2000.....	230
2001.....	8,147
2002 and thereafter.....	--
	-----
	\$ 29,526
	=====

## 5. INCOME TAXES

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

	Years Ended -----		
	March 29, 1997	March 30, 1996	April 1, 1995
	----- (in thousands) -----		
Domestic.....	\$ 39,408	\$ 43,020	\$ 42,910
Foreign.....	11,300	12,234	9,660
	-----		
	\$ 50,708	\$ 55,254	\$ 52,570
	=====		

The provision for income taxes consists of the following components:

	Years Ended -----		
	March 29, 1997	March 30, 1996	April 1, 1995
	----- (in thousands) -----		
Current			
Federal.....	\$ 13,423	\$ 15,543	\$ 16,229
State.....	2,286	2,390	2,447
Foreign.....	2,329	2,303	2,351
	-----		
	18,038	20,236	21,027
	=====		
Deferred			
Federal.....	(1,998)	(980)	(1,414)
State.....	(137)	(154)	(258)
Foreign.....	1,835	227	(430)
	-----		
	(300)	(907)	(2,102)
	-----		
	\$ 17,738	\$ 19,329	\$ 18,925
	=====		

Included in the federal and state income tax provisions for fiscal years 1997, 1996 and 1995 are approximately \$2,247,000, \$3,209,000, and \$3,321,000, respectively, provided on foreign source income of approximately \$6,419,000 in 1997, \$9,169,000 in 1996 and \$9,224,000 in 1995, taxes on which are payable in the United States.

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

	Years Ended -----	
	March 29, 1997	March 30, 1996
	----- (in thousands) -----	
Depreciation.....	\$ (9,691)	\$ (6,345)
Amortization.....	(3,535)	(2,908)

Inventory.....	12,221	10,148
Accruals and reserves.....	2,138	753
Other.....	387	10
	-----	-----
Total net deferred taxes.....	\$ 1,520	\$ 1,658
	=====	=====

The provision for income taxes differs from the amount computed by applying the statutory U.S. federal income tax rate of 35% in 1997, 1996 and 1995 due to the following:

	Years Ended		
	March 29, 1997	March 30, 1996	April 1, 1995
	-----		
	(in thousands)		
	-----		
Tax at federal statutory rate.....	\$ 17,748	\$ 19,340	\$ 18,399
Difference due to:			
Foreign sales corporation.....	(1,605)	(1,268)	(1,462)
Difference between U.S. tax rate and tax rates used in other tax jurisdictions.....	167	147	833
State taxes, net of federal income tax benefit.....	1,403	1,355	1,422
Research and development credits.....	--	--	(400)
Other, net.....	25	(245)	133
	-----	-----	-----
	\$ 17,738	\$ 19,329	\$ 18,925
	=====	=====	=====

#### 6. COMMITMENTS AND CONTINGENCIES

The Company leases facilities and certain equipment under operating leases expiring at various dates through fiscal year 2004. Facility leases require the Company to pay certain insurance expenses, maintenance costs and real estate taxes.

Approximate future basic rental commitments under operating leases as of March 29, 1997 are as follows:

Fiscal Year Ending	(in thousands)
-----	
1998.....	\$ 3,465
1999.....	2,461
2000.....	1,954
2001.....	1,498
2002 and thereafter.....	3,689
	-----
	\$ 13,067
	=====

Rent expense in 1997, 1996 and 1995 was \$2,613,000, \$4,219,000 and \$3,713,000, 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 1997 and 1996, the Company repurchased 902,100 shares and 514,141 shares, respectively, of its outstanding common stock at average prevailing prices of \$17.46 and \$17.24, 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 2,853,464 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 over 4 years, and incentive options expire not more than ten years from the date of the grant. There were 828,378 shares available for future grant at March 29, 1997.

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 29, 1997 under this plan.

The Company also has a stock option plan which grants options to key employees and consultants 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 29, 1997 there were 70,300 shares available for future grant.

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 1997, there were 33,181 shares purchased at a range of \$15.09 to \$15.51 per share under the Purchase Plan. During 1996, there were 39,835 shares purchased at a range of \$14.66 to \$15.09 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:

		1997 -----	1996 -----
Net Income:	As Reported	\$32,970,000	\$35,925,000
	Pro Forma	\$31,526,000	\$35,197,000
Primary EPS:	As Reported	1.20	1.30
	Pro Forma	1.15	1.27

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:

	1997 -----	1996 -----
Volatility.....	28.3%	28.3%
Risk-Free Interest Rate.....	6.5%	6.8%
Expected Life of Options.....	7 yrs.	7 yrs.

The weighted average grant date fair value of options granted during 1997 and 1996 was approximately \$8.223 and \$7.892, 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:

	1997 -----	1996 -----
Volatility.....	28.3%	28.3%
Risk-Free Interest Rate.....	5.3%	5.9%
Expected Life of Options.....	6 mos.	6 mos.

The weighted average grant-date fair value of options granted under the Purchase Plan was \$4.34 in 1997 and \$4.20 in 1996.

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 29, 1997 is as follows:

	Number of Shares	Weighted- Average Exercise Price per Share
	-----	-----
Outstanding at April 2, 1994.....	2,111,865	\$ 13.582
Granted.....	466,613	\$ 16.270
Exercised.....	(163,300)	\$ 6.189
Terminated.....	(212,566)	\$ 16.023
	-----	-----
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

The following table summarizes information about stock options outstanding at March 29, 1997:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at 3/29/97	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 3/29/97	Weighted Average Exercise Price
-----	-----	-----	-----	-----	-----
\$12.500 to \$16.500.....	809,518	7.0 years	\$ 15.518	312,517	\$ 15.675
\$17.563 to \$18.375.....	691,482	8.6 years	\$ 18.071	87,247	\$ 18.356
\$18.813 to \$23.125.....	566,700	6.4 years	\$ 20.138	433,950	\$ 19.672
\$23.875 to \$24.563.....	195,331	6.2 years	\$ 24.500	148,190	\$ 24.497
	-----	-----	-----	-----	-----
Total.....	2,263,031	7.3 years	\$ 18.231	981,904	\$ 19.011
	=====	=====	=====	=====	=====

#### 8. SAVINGS PLUS PLAN

The Company's Savings Plus Plan (the "Savings Plan") allows employees to accumulate savings on a pretax basis. In addition, the Company makes matching contributions to the Savings Plan based on 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 \$660,000, \$616,000 and \$565,000 in 1997, 1996 and 1995, respectively. The Board of Directors declared a discretionary contribution of approximately \$1,100,000 for the Savings Plan year ended March 30, 1996. No discretionary contributions were made for the Savings Plan years ended March 29, 1997 and April 1, 1995.

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 \$593,000 as of March 29, 1997 and \$916,000 as of March 30, 1996 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. 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 1997, 1996 and 1995 is as follows:

	Geographic Area			
	Domestic	Europe & All Other	Far East & Japan	Consolidated
	(in thousands)			
Year ended March 29, 1997:				
Net revenues.....	\$116,831	\$97,026	\$ 95,960	\$309,817
Income before provision for income taxes.....	\$ 27,065	\$15,206	\$ 8,437	\$ 50,708
Identifiable assets.....	\$215,410	\$71,791	\$ 36,345	\$323,546
Year ended March 30, 1996:				
Net revenues.....	\$108,152	\$78,423	\$ 91,641	\$278,216
Income before provision for income taxes.....	\$ 36,258	\$11,063	\$ 7,933	\$ 55,254
Identifiable assets.....	\$166,771	\$82,598	\$ 38,449	\$287,818
Year ended April 1, 1995:				
Net revenues.....	\$106,101	\$76,760	\$ 79,555	\$262,416
Income before provision for income taxes.....	\$ 48,523	\$ 2,102	\$ 1,945	\$ 52,570
Identifiable assets.....	\$155,322	\$76,337	\$ 48,850	\$280,509

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 \$194,849,000 in 1997, which represented 63% of net revenues; \$171,410,000 in 1996, which represented 62% of net revenues and \$158,609,000 in 1995, which represented 60% 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 29, 1997 and March 30, 1996, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 29, 1997. 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 29, 1997 and March 30, 1996, and the results of their operations and their cash flows for each of the three years in the period ended March 29, 1997, 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.

ARTHUR ANDERSEN LLP

Boston, Massachusetts

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 18, 1997.

(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:

JOHN F. WHITE joined Haemonetics in 1976 as Marketing and Sales Manager and was promoted to Vice President of Marketing and Sales in 1978. In 1982, he was elected Senior Vice President of Operations and has served as President since 1983. Prior to joining Haemonetics, Mr. White worked for the Minnesota Mining & Manufacturing Co. where he held various managerial positions. Mr. White has been Chairman of Haemonetics' Board of Directors since 1985.

JAMES L. PETERSON joined Haemonetics in 1980 as Director of European Operations. In 1982, he was promoted to Vice President with responsibility for all international activities. He was promoted to Executive Vice President in 1988. In May 1994, he assumed the role of President, International Operations. 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.

BRIGID A. MAKES joined Haemonetics in 1992 as Assistant Treasurer. In August 1992, Ms. Makes was promoted to Treasurer, responsible for all areas of corporate treasury. In June 1993, Ms. Makes was promoted to Treasurer, Director of Human Resources and in September 1995, was promoted to Vice President and Treasurer responsible for treasury, human resources and tax. In November 1995, Ms. Makes was named acting Chief Financial Officer, increasing her responsibilities to include financial planning, operational and financial accounting, investor relations and facility management. In May 1996, Ms. Makes was promoted to Chief Financial Officer. Prior to joining Haemonetics, Ms. Makes was employed as Manager of Treasury Services and Controller of Sales and Service for Lotus Development Corporation. Prior to joining Lotus, Ms. Makes held various financial positions with increasing levels of responsibility at General Electric.

JOHN R. BARR joined Haemonetics in 1990 as Director of Customer Service responsible for domestic and international customer services, as well as finished goods warehousing and shipping. In September 1991, Mr. Barr was promoted to Vice President, Operations, responsible for all manufacturing operations: purchasing; planning raw material warehousing; and offshore manufacturing. In April 1992, Mr. Barr was promoted to Senior Vice President with additional responsibility for the U.S. Commercial Plasma Business. In May 1994, Mr. Barr was promoted to Executive Vice President and in October 1995 was promoted to President, North American Operations, responsible for all manufacturing operations, North American sales and service and core research and development. In 1996, Mr. Barr was elected to serve on the Board of Directors. Prior to joining Haemonetics, Mr. Barr was employed as a Vice President of Baxter Systems Division where his responsibilities included management of R&D, customer support staffs and general operations.

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 18, 1997.

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 18, 1997.

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.....	17
Consolidated Statements of Income.....	18
Consolidated Statements of Stockholders' Equity.....	19
Consolidated Statements of Cash Flows.....	20
Notes to Consolidated Financial Statements.....	21

Schedules required by Article 12 of Regulation S-X

II Valuation and Qualifying Accounts..... 39

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 36, 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/ JOHN F. WHITE

-----  
John F. White, Chairman, President  
and Chief Executive Officer

May 27, 1997

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/ JOHN F. WHITE ----- John F. White	Chairman, President and Chief Executive Officer	May 27, 1997
/s/ JAMES L. PETERSON ----- James L. Peterson	Vice Chairman and President, International Operations	May 27, 1997
/s/ BRIGID A. MAKES ----- Brigid A. Makes	Vice President of Finance and Chief Financial Officer, (Principal Financial and Accounting Officer)	May 27, 1997
/s/ JOHN R. BARR ----- John R. Barr	President, North American Operations, Director	May 27, 1997
/s/ SIR STUART BURGESS ----- Sir Stuart Burgess	Director	May 27, 1997
/s/ YUTAKA SAKURADA ----- Yutaka Sakurada	Sr. Vice President Haemonetics Corp. and President, Haemonetics Japan Director	May 27, 1997
/s/ JERRY E. ROBERTSON ----- Jerry E. Robertson	Director	May 27, 1997
/s/ DONNA C. E. WILLIAMSON ----- Donna C. E. Williamson	Director	May 27, 1997

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\* Agreement dated December 8, 1987 between the Company and Miles, Inc., Cutter Biological (filed as Exhibit 10D to the Company's Form S-1 No. 33-39490 and incorporated herein by reference).

10E\* 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).

10F\* 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).

10G\* Third Amended and Restated Financing Agreement dated as of August 22, 1990 among the Company, Fleet Credit Corporation and Fleet National Bank (filed as Exhibit 10G to the Company's Form S-1 No. 33-39490 and incorporated herein by reference).

10H\* First Supplement to the Third Amended and Restated Financing Agreement dated as of February 3, 1992, and the related Revolving Credit Note, among the Company, Fleet Credit Corporation and Fleet National Bank (filed as Exhibit 10H to the Company's Form 10-K No. 1-10730 for the year ended March 28, 1992 and incorporated herein by reference).

10I\* Second Supplement to the Third Amended and Restated Financing Agreement dated as of March 27, 1992 among the Company, Fleet Credit Corporation and Fleet National Bank (filed as Exhibit 10I to the Company's form 10-K No. 1-10730 for the year ended March 28, 1992 and incorporated herein by reference).

10J\* 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).

10K\* 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).

10L\* 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).

10M\* 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).

10N\* 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).

10O\* Bank Overdraft Facility between The Sumitomo Bank and the Company with an annual renewal beginning February 28, 1993 (filed as Exhibit 10O to the Company's Form 10-K No. 1-10730 for the year ended March 28, 1992 and incorporated herein by reference).

10P\* 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).

- 10Q\* 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).
- 10R\* 1991 Employee Stock Purchase Plan as amended (filed as Exhibit 10R to the Company's Form 10-K No. 1-10730 for the year ended April 3, 1993 and incorporated herein by reference).
- 10S\* 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).
- 10T\* 1992 Stock Option Plan for Non-Employee Directors (filed as Exhibit 10U to the Company's Form 10-K No. 1-10730 for the year ended April 3, 1993 and incorporated herein by reference).
- 10U\* 1992 Long-Term Incentive Plan (filed as Exhibit 10V to the Company's Form 10-K No. 1-10730 for the year ended April 3, 1993 and incorporated herein by reference).
- 10V\* Agreement dated April 3, 1993 between Cellco, Inc. and Haemonetics Ventures Corporation for the purchase of Cellco, Inc. Preferred Shares and Warrants (filed as Exhibit 10W to the Company's Form 10-K No. 1-10730 for the year ended April 2, 1994 and incorporated herein by reference).
- 10W\* Bridge loan and convertible promissory notes dated April 15 and June 10, 1994 between Cellco, Inc. and the Company (filed as Exhibit 10Z to the Company's Form 10-K No. 1-10730 for the year ended April 1, 1995 and incorporated herein by reference).
- 10X\* 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).
- 10Y\* 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).
- 10Z\* 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).
- 10AA\* 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).
- 10AB\* Lease dated May 10, 1996 between Charlotte E. Flatley and John P. Garrahan, trustees of the 1970 Flatley Family Trust and the Company for the property located at Forbes Business Center, Braintree, Massachusetts (filed as Exhibit 10AG to the Company's Form 10-Q No. 1-10730 for the quarter ended September 28, 1996 and incorporated herein by reference).
- 10AC\* Supplement to the lease dated May 10, 1996 between Charlotte E. Flatley and John P. Garrahan, trustees of the 1970 Flatley Family Trust and the Company for the property located at Forbes Business Center, Braintree, Massachusetts (filed as Exhibit 10AH to the Company's Form 10-Q No. 1-10730 for the quarter ended September 28, 1996 and incorporated herein by reference).
- 10AD\* First Amendment to lease dated July 17, 1990 between Buncher Company and the Company of property in Pittsburg, 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).
- 10AE Revolving Credit Agreement among Mellon Bank, N.A., the First National Bank of Boston and Haemonetics Corporation dated as of October 1, 1996
- 10AF 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 April 3, 1993 and incorporated herein by reference).

- 11. Statement re: computation of per share earnings
- 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)

Allowance for Doubtful Accounts	Balance at Beginning of Period	Charged to Costs and Expenses	Write-Offs (Net of Recoveries)	Balance at End of Period
For the Year Ended March 29, 1997.....	\$ 984	\$ 431	\$ (454)	961
For the Year Ended March 30, 1996.....	681	321	(18)	984
For the Year Ended April 1, 1995.....	464	222	(5)	681

REVOLVING CREDIT AGREEMENT  
AMONG  
MELLON BANK, N.A.,  
THE FIRST NATIONAL BANK OF BOSTON

AND

HAEMONETICS CORPORATION

DATED AS OF OCTOBER 1, 1996

REVOLVING CREDIT AGREEMENT

REVOLVING CREDIT AGREEMENT, dated and effective as of October 1, 1996, by and among HAEMONETICS CORPORATION, (the "Borrower") a Massachusetts corporation, and MELLON BANK, N.A., a national banking association (hereinafter called "Mellon"), and THE FIRST NATIONAL BANK OF BOSTON, a national banking association (hereinafter called "Bank of Boston," and either Mellon or Bank of Boston, the "Bank," or collectively the "Banks");

PRELIMINARY STATEMENT:

WHEREAS the Banks each have agreed to make available to the Borrower a Revolving Credit Facility upon all of the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of their mutual agreements hereinafter set forth and intending to be legally bound hereby, the Borrower and the Banks agree as follows:

ARTICLE I  
DEFINITIONS: Construction  
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1.01. Certain Definitions. In addition to other words and terms defined elsewhere in this Agreement, as used herein the following words and terms shall have the following meanings, respectively, unless the context hereof otherwise clearly requires:

"AB Rate" and "AB Rate Option" shall have the meaning assigned those terms in Section 2.05(a)(i) hereof.

"AB Rate Loan" shall mean any loan bearing interest under the AB Rate Option.

"Additional Interest Event" shall mean the occurrence of the following event or condition measured in accordance with Section 2.05(a) hereof: Consolidated Total Indebtedness shall be greater than 30% of Consolidated Tangible Net Worth.

"Affiliate" shall mean an entity which is directly or indirectly controlled by the Borrower or which controls the Borrower or which is under common control with the Borrower.

"Agreement" shall mean this Agreement as amended, modified or supplemented from time to time.

"Assets" at any time shall mean the assets of the Borrower at such time, determined in accordance with GAAP.

"Business Day" shall mean any day other than a Saturday, Sunday, public holiday under the laws of the Commonwealth of Pennsylvania or other day on which banking institutions are authorized or obligated to close in Pittsburgh Pennsylvania.

"Capitalized Lease Obligation" shall mean any lease obligation which is required to be capitalized in accordance with GAAP.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation and Liability Act, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time.

"Change in Control" shall mean any Person or group of Persons (as used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), and the rules and regulations thereunder) shall have become the beneficial owner (as defined in rules promulgated by the Securities & Exchange Commission) of more than 35% of the voting securities of the Borrower.

"Closing Date" shall mean October 1, 1996.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time. References to sections of the Code shall be construed to also refer to any successor sections.

"Commitment" shall have the meaning assigned to such term in Section 2.01 hereof, and with respect to each Bank the Commitment of each Bank hereunder as set forth below its signature on the last page of this Agreement hereto, as such Commitment may be terminated or reduced pursuant to this Agreement. The Commitment shall automatically and permanently terminate on the Expiration Date.

"Consolidated Net Income" for any period shall mean the net earnings (or loss) after taxes of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Consolidated Subsidiaries" at any particular time shall mean those Subsidiaries whose accounts are or should be consolidated with those of the Borrower in accordance with GAAP.

"Consolidated Tangible Net Worth" at any time shall mean the stockholders' equity of the Borrower and its Consolidated Subsidiaries, determined and consolidated in accordance with GAAP, except that there shall be deducted all intangible assets of the Borrower and its Consolidated Subsidiaries (including but not limited to goodwill, organization costs, patents, copyrights, trademarks, trade names, franchises, licenses) at such time in accordance with GAAP.

"Consolidated Total Indebtedness" at any time shall mean all Indebtedness of the Borrower and its Consolidated Subsidiaries at such time.

"Contingent Liabilities" of the Borrower and its Consolidated Subsidiaries at any particular time shall mean the obligations of the Borrower and its Consolidated Subsidiaries at such time in respect of any guarantee or suretyship of the obligations of any other Person (except such other Person whose accounts are consolidated with the Borrower or its Consolidated Subsidiaries, as the case may be) the liability for which is not otherwise reflected as a consolidated liability or any other agreement to purchase, sell or lease (as lessee or lessor) property or assets (excluding operating leases) or to purchase or sell services (i) primarily for the purpose of enabling such Person to satisfy such obligation or (ii) regardless of the non-delivery of such property or assets or the failure to furnish such services.

"Controlled Group Member" shall mean each trade or business (whether or not incorporated) which together with the Borrower is treated as a single employer under Section 4001(b)(1) of ERISA.

"Corresponding Source of Funds" shall mean in the case of any Euro-Rate Loan, the proceeds of hypothetical receipts by a Notional Euro-Rate Funding Office of one or more Dollar deposits in the interbank Eurodollar market at the beginning of the Euro-Rate Maturity Period applicable to such Loan, having maturities approximately equal to such Maturity Period and in an aggregate amount approximately equal to such Loan.

"Dollar," "Dollars" and the symbol "\$" shall mean lawful money of the United States of America.

"Environmental Affiliate" shall mean any Person whose Environmental Claim the Borrower or any Subsidiary has retained, assumed or is otherwise liable for (by Law, agreement or otherwise).

"Environmental Approvals" shall mean any governmental or Official Body action pursuant to or required under any Environmental Law.

"Environmental Claim" shall mean, with respect to any Person, any action, suit, proceeding, investigation, notice, claim, complaint, demand, request for information or other communication (written or oral) by any other Person (including but not limited to any governmental authority, citizens' group or present or former employee of such Person) alleging, asserting or claiming any (a) violation of any Environmental Law, (b) liability for cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, fines or penalties arising out of, based on or resulting from the release into the environment, of any Environmental Concern Materials at any location, whether or not owned by such Person.

"Environmental Concern Materials" shall mean any flammable substance, explosive, radioactive material, hazardous material, hazardous waste, toxic substance, solid waste, pollutant or contaminant specified in or regulated or otherwise affected by any Environmental Law (including but not limited to any "hazardous substance" as defined in CERCLA or any similar state law and including without limitation any asbestos, gasoline, diesel fuel, motor oil, waste and used oil, heating oil and other petroleum products or compounds, polychlorinated biphenyls, radon and urea formaldehyde).

"Environmental Law" shall mean any Law, whether now existing or subsequently enacted or amended, relating to (a) pollution or protection of the environment, including natural resources, (b) exposure of Persons, including but not limited to employees, to Environmental Concern Materials, (c) protection of the public health or welfare from the effects of products, by-products, wastes, emissions, discharges or releases of Environmental Concern Materials or (d) regulation of the manufacture, use or introduction into commerce of Environmental Concern Materials including their manufacture, formulation, packaging, labeling, distribution, transportation, handling, storage or disposal. Without limitation, "Environmental Law" shall also include any Environmental Approval and the terms and conditions thereof and shall also include all laws relating to public health, safety and welfare (including rules and regulations of the Federal Food and Drug Administration), health care and the provision of health care and related products, services and equipment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as

amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time. References to sections of ERISA shall be construed to also refer to any successor sections.

"Euro-Rate" and "Euro-Rate Option" shall have the meanings assigned to those terms in Section 2.05(a)(ii) hereof.

"Euro-Rate Loan" shall mean any Loan bearing interest under the Euro-Rate Option.

"Event of Default" shall mean any of the Events of Default described in Article VII hereof.

"Expiration Date" shall mean September 30, 1999.

"GAAP" shall have the meaning set forth in Section 1.03 hereof.

"Guaranty Obligations" means, with respect to any Person, without duplication, any obligations of such Person (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (i) to purchase any such Indebtedness or any property constituting security therefor for the purpose of assuring the holder of such Indebtedness, (ii) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of such other Person (including without limitation keep well agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, (iii) to lease or purchase property, securities or services primarily for the purpose of assuring the holder of such Indebtedness, or (iv) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Guaranty Obligation is made.

"Indebtedness" of a Person shall mean:

(i) all indebtedness or liability for or on account of money borrowed by, or for or on account of deposits with or advances to (but not including accrued pension costs, deferred income taxes or accounts payable of) such Person;

(ii) all obligations (including Contingent Liabilities) of such Person evidenced by bonds, debentures, notes, banker's acceptances or similar instruments;

(iii) all indebtedness or liability for or on account of property or services purchased or acquired by such Person;

(iv) any amount secured by a Lien on property owned by such Person (whether or not assumed) and Capitalized Lease Obligations of such Person (without regard to any limitation of the rights and remedies of the holder of such Lien or the lessor under such Capitalized Lease to repossession or sale of such property);

(v) the maximum available amount of all standby letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed); and

(vi) all Guaranty Obligations of such Person.

"Law" shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Official Body.

"Lien" shall mean any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, including but not limited to any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security.

"Loan" or "Loans" shall mean a loan or loans made by a Bank or Banks to the Borrower under this Agreement.

"London Business Day" shall mean a Business Day (as herein defined) which is also a day for dealing in deposits in Dollars by and among banks in the London interbank market.

"Margin" shall mean with respect to any Loan bearing interest at the Euro-Rate Option the margin expressed as a percentage rate per annum to be added to the Euro-Rate in order to determine the interest rate payable by the Borrower pursuant to Section 2.05 (a)(ii) hereof.

"Material Adverse Effect" shall mean any event or circumstance which has been, will be, or should be disclosed by the Borrower in any required filing with the Securities and Exchange Commission.

"Maturity Period" and "Maturity Date" shall have the meanings assigned to those terms in Section 2.05 hereof.

"Money Market Rate" and "Money Market Rate Option" shall have the meaning assigned such terms in Section 2.05(a)(iii) hereof.

"Money Market Rate Loan" shall mean any Loan bearing interest at the Money Market Rate Option.

"Month," with respect to a Euro-Rate Maturity Period, has the following meaning unless a calendar month is specified or the context otherwise clearly requires:

(i) if the first day of such Euro-Rate Maturity Period is the last day of a calendar month, a "month" is the interval between the last days of consecutive calendar months;

(ii) otherwise, a "month" is the interval between the days in consecutive calendar months numerically corresponding to the first day of such Euro-Rate Maturity Period or, if there is no such numerically corresponding day in a particular calendar month, then the last day of such calendar month.

"Multiemployer Plan" shall mean any multiemployer plan as defined in Section 4001(a)(3) of ERISA to which Section 4021(a) of ERISA applies, and to which a Borrower or any Controlled Group Member made, or was required to make, contributions at any time during the preceding five years.

"Note" or "Notes" shall mean the promissory note or notes of the Borrower executed and delivered under this Agreement, or any note executed and delivered pursuant hereto, together with all extensions, renewals, refinancings or refundings in whole or part.

"Notional Euro-Rate Funding Office" shall have the meaning given to that term in Section 2.10(a) hereof.

"Office", when used in connection with either Bank, shall mean its office address that is stated below its signature on the last page of this Agreement hereto, or at such other office or offices of each Bank or branch, subsidiary or affiliate thereof as may be designated in writing from time to time by such Bank to the Borrower.

"Official Body" shall mean any government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

"Operating Cash Flow" shall mean earnings of the Borrower and its Consolidated Subsidiaries, determined and consolidated in accordance with GAAP, before interest and taxes, plus depreciation and amortization, minus cash taxes, minus capital expenditures that are not financed by term debt.

"Option" shall mean the AB Rate Option or the Euro-Rate Option or the Money Market Rate Option, as the case may be.

"PBGC" means the Pension Benefit Guaranty Corporation established under Title IV of ERISA or any other governmental agency, department or instrumentality succeeding to the functions of said corporation.

"Person" shall mean an individual, corporation, partnership, trust, unincorporated association, joint venture, joint-stock company, government (including political subdivisions), governmental authority or agency, or any other entity.

"Plan" means any employee pension benefit plan to which Section 4021(a) of ERISA applies (other than any Multiemployer Plan) and (i) which is maintained for employees of a Borrower or any Controlled Group Member; or (ii) to which a Borrower or any Controlled Group Member made, or was required to make, contributions at any time within the preceding five years.

"Potential Default" shall mean any event or condition referenced in Section 7 hereof which with notice, passage of time or any combination of the foregoing, would constitute an Event of Default.

"Reportable Event" means (i) a reportable event described in Section 4043 of ERISA and regulations thereunder, (ii) a withdrawal by a substantial employer from a Plan to which more than one employer contributes, as referred to in Section 4063(b) of ERISA, or (iii) a cessation of operations at a facility causing more than twenty percent (20%) of Plan participants to be separated from employment, as referred to in Section 4062(e) of ERISA.

"Standard Notice" shall mean an irrevocable notice for Loan pursuant to Section 2.03 provided to either or both Banks on a Business Day which is

(i) the same Business Day in the case of any AB Rate Loan or Money Market Rate Loan; and

(ii) at least two London Business Days in advance in the case of any Euro-Rate Loan.

Standard Notice must be provided no later than: (A) 12:00 o'clock Noon, Pittsburgh time in the case of Euro-Rate Loans; and (B) by 2:30 p.m., Pittsburgh time in the case of AB Rate Loans or Money Market Rate Loans, on the last day permitted for such notice. Standard Notice shall be in writing (including telex, facsimile or cable communication) or by telephone (to be subsequently confirmed in writing) in any such case, effective upon receipt by Bank.

"Subsidiary" of the Borrower at any time shall mean any corporation of which a majority (by number of shares or number of votes) of any class of outstanding capital stock normally entitled to vote for the election of one or more directors (regardless of any contingency which does or may suspend or dilute the voting rights of such class) is at such time owned directly or indirectly by the Borrower or one or more Subsidiaries.

"Total Debt Service" shall mean interest expense plus required principal payments for Indebtedness.

1.02. Construction. Unless the context of this Agreement otherwise clearly requires, "or" has the inclusive meaning represented by the phrase "and/or". References in this Agreement to "determination" by either Bank or the Banks include good faith estimates by either Bank or the Banks (in the case of quantitative determinations) and good faith belief of the Banks (in the case of qualitative determinations). The words "hereof", "herein", "hereunder" and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The section and other headings contained in this Agreement are for reference purposes only and shall not control or affect the construction of this Agreement or the interpretation hereof in any respect. Section, subsection and exhibit references are to this Agreement unless otherwise specified.

1.03. Accounting Principles. (a) As used herein, "GAAP" shall mean generally accepted accounting principles as such principles shall be in effect at the Relevant Date, subject to the provisions of this Section 1.03. As used herein, "Relevant Date" shall mean the date a relevant computation or determination is to be made or the date of relevant financial statements, as the case may be.

(b) Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters shall be made, and all financial statements to be delivered pursuant to this Agreement shall be prepared, in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP.

(c) If any change in GAAP after the date of this Agreement is or shall be required to be applied to transactions then or thereafter in existence, and a violation of one or more provisions of this Agreement shall have occurred (or in the opinion of both Banks would be likely to occur) which would not have occurred or be likely to occur if no change in accounting principles had taken place, the parties agree in such event to negotiate in good faith an amendment of this Agreement which shall approximate to the extent possible the economic effect of the original financial covenants after taking into account such change in GAAP.

(d) Without in any manner limiting the provisions of this Section 1.03, if any change in GAAP occurs after the date of this Agreement and such change in GAAP could or would materially change the Borrower's financial results or position from that reflected in the Borrower's financial statements prior to such change, the Borrower shall notify both Banks as soon as practicable.

ARTICLE II  
THE CREDITS  
-----

2.01. Revolving Credit Loans; Money Market Loans. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Bank agrees, severally and not jointly, to (such agreement being herein called the Bank's "Commitment") make Loans to the Borrower at any time or from time to time on or after the date hereof and to but not including the Expiration Date in an aggregate principal amount not exceeding \$10,000,000, at any time outstanding (for each Bank, the "Commitment Amount"). Within such limits of time and amount and subject to the provisions of this Agreement, the Borrower may, subject to all of the terms and conditions hereof, borrow, repay and reborrow hereunder.

2.02. The Notes. The obligations of the Borrower to repay the aggregate unpaid principal amount of the Loan or Loans made by the Banks to the Borrower hereunder and to pay interest thereon shall be evidenced in part by two promissory notes of the Borrower dated on or prior to the Closing Date in substantially the form attached hereto as Exhibit A, with the blanks appropriately filled and payable to the order of each respective Bank in the amount of the lesser of the applicable Bank's Commitment Amount or the unpaid principal amount of all Loans made to the Borrower by the Bank. The outstanding principal amount of each Loan, the unpaid interest accrued thereon, the interest rate or rates applicable and the duration of such applicability shall be determined from each Bank's records, which shall be conclusive absent manifest error. The executed Notes shall be delivered by the Borrower to each Bank on or prior to the Closing Date.

2.03. Making of Loans. (a) Whenever the Borrower desires to request a Loan hereunder it shall give Standard Notice thereof to the Bank or Banks setting forth the following information:

(i) The date, which shall be a Business Day and, in the case of Euro-Rate Loans, a London Business Day, on which such Loan is to be made;

(ii) The interest rate Option applicable to such Loan, selected in accordance with Section 2.05(a) hereof;

(iii) The Maturity Period to apply to such Loan, selected in accordance with Section 2.05(b) hereof;

(iv) The total principal amount of such Loan, selected in accordance with Section 2.05(c) hereof.

Standard Notice having been so given, on the date specified in such Notice and by the close of the applicable Bank's business on such date, such Bank shall make the proceeds of its Loan available to the Borrower at the Bank's Office, in funds immediately available at such office. The proceeds of each



Loan may be applied by the Bank or Banks in whole or in part against amounts then due and payable by the Borrower hereunder.

(b) Absent contrary notice from the Borrower by 12:00 o'clock Noon, Pittsburgh time, one Business Day prior to any Maturity Date the Borrower shall, at the applicable Bank's option (and without in any manner limiting the Borrower's ability to repay the Loan on its Maturity Date without premium or penalty), be deemed to have given such Bank or Banks notice at such time pursuant to Section 2.03(a) hereof to the effect that the Borrower requests that such Bank or Banks make a Loan to the Borrower on such Maturity Date at the AB Rate Option in an aggregate principal amount equal to the aggregate principal amount of the Loans becoming due and payable to such Bank on such Maturity Date.

2.04. Commitment Fees, etc. The Borrower agrees in consideration of the Commitment of each Bank hereunder, to pay to each Bank a fee ("Commitment Fees") for the period from the Closing Date to and including the Expiration Date calculated (based on a year of 365 or 366 days as the case may be) at a rate of .20 of 1% per annum of the aggregate unutilized Commitment Amount of each respective Bank in effect from time to time; provided, however, that if an Additional Interest Event shall occur, the Commitment Fees shall be calculated at the rate of .35 of 1% per annum. Such fee shall be payable quarterly on the last day of each March, June, September and December after the Closing Date, and on the Expiration Date, for the preceding period for which such fee has not been paid. The Borrower may at any time upon at least ten (10) Business Days' notice to either or both Banks terminate in whole or reduce in part a Commitment of such Bank hereunder to an amount not less than the aggregate principal amount of all Loans then outstanding plus the principal amount of all Loans not yet made as to which notice has been given pursuant to Section 2.03 hereof; provided, however, that each partial reduction shall be in a minimum amount of \$1,000,000 or an integral multiple thereof.

2.05. Interest Rates: Maturity Periods; Transactional Amounts.

(a) Optional Basis of Borrowing. Each Loan, if offered, shall bear interest for each day until due on a single basis selected by the Borrower from among the interest rate Options set forth below; but the Borrower may select different Options to apply simultaneously to different Loans:

(i) AB Rate Option: A rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be) for each day equal to the higher of: (A) the Base Rate or Prime Rate for such day or (B) the Federal Funds Effective Rate for such day plus 1% per annum. "Base Rate" and Prime Rate as used herein shall mean the interest rate per annum announced from time to time by Mellon or Bank of Boston respectively as its prime rate or base rate, as applicable. "Federal Funds Effective Rate" for any day shall mean the rate per annum (rounded upward to the nearest 1/100 of 1%) determined by each Bank respectively (which determination shall be conclusive) to be the rate per annum announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight Federal funds transactions arranged by Federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the date of this Agreement; provided, that if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the "Federal Funds Effective Rate" for such day shall be the Federal Funds Effective Rate for the last day on which such rate was announced. Changes in the AB Rate shall take effect on the date the applicable Bank announces a change in the Base Rate or the Federal Reserve Bank announces a change in the Federal Funds Effective Rate, as the case may be.

(ii) Euro-Rate Option: A rate per annum (based on a year of 360 days and actual days elapsed) for each day equal to the Euro-Rate for such day plus a Margin of .35% of 1% per annum. "Euro-Rate" for any day, as used herein, shall mean for each Euro-Rate Loan corresponding to a proposed or existing Euro-Rate Maturity Period the rate per annum determined by each Bank respectively by dividing (the resulting quotient to be rounded upward to the nearest 1/100 of 1%) (x) the rate of interest (which shall be the same for each day in such Euro-Rate Maturity Period) determined in good faith by the applicable Bank (which determination shall be conclusive absent manifest error) to be the average of the rates per annum for deposits in Dollars offered to banks in the London interbank market at approximately 11:00 o'clock a.m., London time, two London Business Days prior to the first day of such Euro-Rate Maturity Period for delivery on the first day of such Euro-Rate Maturity Period in amounts comparable to such Euro-Rate Maturity Period by (y) a number equal to 1.00 minus the Euro-Rate Reserve Percentage.

The "Euro-Rate" described in this Section 2.05(a)(ii) may also be expressed by the following formula:

$$\text{Euro-Rate} = \frac{\begin{array}{l} \text{[average of the rates offered to} \\ \text{[banks in the London interbank market} \\ \text{[determined by the Bank per subsection (ii)} \\ \text{[of this Section 2.05(a)} \end{array}}{\begin{array}{l} \text{-----} \\ \text{[1.00-Euro-Rate Reserve Percentage} \end{array}}$$

The "Euro-Rate Reserve Percentage" for any day is the maximum effective percentage (expressed as a decimal fraction, rounded upward to the nearest 1/100 of 1%), as determined in good faith by the applicable Bank (which determination shall be conclusive absent manifest error), which is in effect on such day as prescribed by the

Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental, marginal and emergency reserve requirements) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities") of a member bank in such System but only to the extent actually incurred by the applicable Bank, such Bank's determination thereof to be conclusive in the absence of manifest error. The Euro-Rate shall be adjusted automatically as of the effective date of each change in the Euro-Rate Reserve Percentage.

The applicable Bank shall give prompt notice to the Borrower of the Euro-Rate so offered or adjusted from time to time and such Bank's determination thereof shall be conclusive in the absence of manifest error. Notwithstanding any other provision of this Agreement, upon the occurrence of an Additional Interest Event, the Margin applicable to the Euro-Rate Option shall increase to .60 of 1% per annum; likewise, at such time as an Additional Interest Event shall cease to exist, the Margin applicable to the Euro-Rate Option shall decrease to .35 of 1% per annum; provided, however, that for purposes of the foregoing sentence, the Borrower shall be entitled to calculate the existence or non-existence of an Additional Interest Event on a monthly basis (for such month taken as a whole), and shall notify the applicable Bank thereof within ten (10) Business Days of the end of each fiscal month, such notice, if the Bank so requests, to state in reasonable detail the information and calculations necessary to determine the existence or non-existence thereof. Changes in Margin required by the foregoing shall take effect as of the first day of the month following the reported month.

(iii) Money Market Rate Option. A rate per annum computed on the basis of 360 days, as the case may be, equal to the Money Market Rate for such day. "Money Market Rate" shall mean that rate of interest offered by Mellon or the Bank of Boston respectively to the Borrower from time to time in the Bank's sole discretion as its Money Market Rate which rate may be fixed or floating above a stated market index rate.

(b) Maturity Periods. At any time when a Borrower shall request a Bank to make a Loan, the Borrower shall specify the term of such Loan (the "Maturity Period" of each such Loan) within the limitations set forth in the chart below:

Type of Loan -----	Available Maturity Periods -----
AB Rate Loan	Any number of days as applicable Bank may agree ("AB Rate Maturity Period")
Euro-Rate Loan	One, two, three, or six months ("Euro-Rate Maturity Period")
Money Market Rate Loan	Any number of days not exceeding 90 ("Money Market Rate Maturity Period")

(i) Each AB Rate Maturity Period, Euro-Rate Maturity Period or Money Market Rate Maturity Period which would otherwise end after the Expiration Date shall instead end on the Expiration Date;

(ii) Each AB Rate Maturity Period or Money Market Rate Maturity Period or Euro-Rate Maturity Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day is after the Expiration Date in which event, such Maturity Period shall end on the immediately preceding Business Day;

(iii) Each Euro-Rate Maturity Period shall begin on a London Business Day, and the duration of each Euro-Rate Maturity Period shall be determined in accordance with the definition of the term "month" herein;

(iv) Notwithstanding any other provision of this Agreement, the Borrower may not fix a Maturity Period that would end after the Expiration Date.

The principal amount of each Loan shall be due and payable on the last day of the Maturity Period corresponding thereto (the "Maturity Date" therefor).

(c) Transactional Amounts. Every request for a Loan and every prepayment of a Loan shall be in a principal amount such that, after giving effect thereto, the principal amount of such Loan shall be as set forth in the table below:

Type of Loan -----	Allowable Principal Amounts -----
AB Rate Loan	\$500,000 plus an integral

multiple of \$1,000

Money Market Rate Loan \$500,000 plus an integral multiple of \$1,000

Euro-Rate Loan \$1,000,000 plus an integral multiple of \$1,000

(d) Interest After Maturity. After the principal amount of any Loan shall have become due (by acceleration or otherwise), such Loan shall bear interest for each day until paid (before and after judgment) at a rate per annum (based on a year of 365 or 366 days, as the case may be) which shall be 2% above the then-current Base Rate or Prime Rate of the applicable Bank, such interest rate to change automatically from time to time effective as of the effective date of each change in such Base Rate or Prime Rate.

(e) Euro-Rate Unascertainable; Impracticability. If

(i) on any date on which a Euro-Rate would otherwise be set the applicable Bank shall have in good faith determined (which determination shall be conclusive) that:

(A) adequate and reasonable means do not exist for ascertaining such Euro-Rate; or

(B) a contingency has occurred which materially and adversely affects the interbank eurodollar market; or

(C) the effective cost to such Bank of funding a proposed Euro-Rate Loan from a Corresponding Source of Funds shall exceed the Euro-Rate applicable to such Loan; or

(ii) at any time the applicable Bank shall have determined in good faith (which determination shall be conclusive) that the making, maintenance or funding of any Euro-Rate Loan has been made impracticable or unlawful by compliance by such Bank or a Notional Euro-Rate Funding Office of such Bank in good faith with any Law or guideline or interpretation or administration thereof by any Official Body charged with the interpretation or administration thereof or with any request or directive of any such Official Body (whether or not having the force of law);

then, and in any such event, such Bank shall notify the Borrower of the Bank's determination. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given to the Borrower) the obligation of such Bank to allow the Borrower to select the Euro-Rate Option shall be suspended until such Bank shall have later notified the Borrower of its determination (which determination shall be presumed correct) that the circumstances giving rise to such previous determination no longer exist.

If a Bank notifies the Borrower of a determination under subsection (ii) of this Section 2.05(e), any Euro-Rate Loans then outstanding shall be due and payable on the date specified in such notice. Absent contrary notice from the Borrower by 12:00 o'clock Noon, Pittsburgh time, on such specified date, the Borrower shall be deemed to have given such Bank notice at such time pursuant to Section 2.03(a) hereof to the effect that the Borrower requests a Loan hereunder at the Money Market Rate, if available and if not, at the AB Rate Option in principal amount equal to the principal amount becoming due and payable pursuant to the preceding sentence.

If at the time a Bank makes a determination under this Section 2.05(e) and the Borrower has previously notified such Bank that it wishes the Bank to make a Euro-Rate Loan but such Loan has not yet been made, such notification shall be deemed to request the making of an AB Rate Loan instead of a Euro-Rate Loan.

2.06. Prepayments. Subject to Section 2.09(b) hereof, the Borrower shall have the right at its option from time to time to prepay any Loan in whole or in part upon at least: (i) one Business Day's prior written notice to the applicable Bank in the case of any AB Rate Loan or Money Market Rate Loan, provided, however that any prepayment of any AB Rate Loan or Money Market Rate Loan shall be in a minimum principal amount of \$500,000; and (ii) five Business Days' prior written notice to the applicable Bank in the case of any Euro-Rate Loan; provided, however that any prepayment of any Loan referenced in this clause (ii) shall be in a minimum principal amount of \$1,000,000. Whenever the Borrower desires to prepay any part of any Loan, it shall provide Standard Notice to the applicable Bank setting forth the following information:

(a) The date, which shall be a Business Day, on which the proposed prepayment is to be made;

(b) The Maturity Date, principal amount of, and interest rate Option applicable to, the Loan to be prepaid; and

(c) The principal amount to be prepaid.

Standard Notice having been so provided, and on the date specified in such notice the principal amount of the Loan specified in such notice, together with interest on such principal amount to such date, shall be due and payable.

2.07. Interest Payment Dates. Interest on each AB Rate Loan and each Money Market Rate Loan shall be due and payable on the Maturity Date thereof. Interest on each Euro-Rate Loan shall be due and payable on the Maturity Date thereof and, if the corresponding Euro-Rate Maturity Period is

longer than three months, also every third month during such Maturity Period. After maturity of any Loan (by acceleration or otherwise), interest on such Loan shall be due and payable on demand.

2.08. Payments. All payments and prepayments to be made in respect of principal, interest, Commitment Fees or other amounts due from the Borrower hereunder or under any Note shall be payable at 12:00 o'clock Noon, Pittsburgh time, on the day when due without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, and an action therefore shall accrue on and as of the expiration of any grace period. Unless otherwise agreed by the applicable Bank, such payments shall be made to the Bank at its respective Office in Dollars in funds immediately available at such Office. Such payments shall be made without setoff, counterclaim or other deduction of any nature, except only that the principal amount of any Loan then due from the Borrower to the Bank shall automatically be set-off against the principal amount of any Loan then due from the Bank to the Borrower hereunder. To the extent permitted by law, after there shall have become due (by acceleration or otherwise) interest, Commitment Fees or any other amounts due from the Borrower hereunder or under any Note (excluding overdue principal, which shall bear interest as described in Section 2.05(d) hereof, but including interest payable under this Section 2.08), such amounts shall bear interest for each day until paid (before and after judgment), payable on demand, at a rate per annum (based on a year of 365 or 366 days, as the case may be) which shall be 2% above the then-current Base Rate or Prime Rate, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate or Prime Rate.

#### 2.09. Additional Compensation in Certain Circumstances.

(a) Increased Costs or Reduced Return Resulting From Taxes. Reserves; Capital Adequacy Requirements; Expenses. etc. If any now existing or hereafter adopted Law or guideline or interpretation or application thereof by any Official Body charged with the interpretation or administration thereof or compliance with any request or directive of any Official Body (whether or not having the force of law) hereafter:

(i) subjects a Bank or any Notional Euro-Rate Funding Office of either Bank to any tax or changes the basis of taxation with respect to this Agreement, the Notes, the Loans or payments by the Borrower of principal, interest, Commitment Fees or other amounts due from the Borrower hereunder or under the Notes (except for taxes on the overall net income of each Bank or such Notional Euro-Rate Funding Office imposed by the jurisdiction in which each Bank's respective principal office or Notional Euro-Rate Funding Office is located),

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against assets held by, credit extended by, deposits with or for the account of, or other acquisition of funds by, a Bank or its respective Notional Euro-Rate Funding Office (other than requirements expressly included herein in the determination of the Euro-Rate hereunder),

(iii) imposes, modifies or deems applicable any capital adequacy or similar requirement (A) against assets (funded or contingent) of, or credits or Commitments to extend credit by, a Bank or its respective Notional Euro-Rate Funding Office or holding company, or (B) otherwise applicable to the obligations of a Bank or its respective Notional Euro-Rate Funding Office under this Agreement, or

(iv) imposes upon a Bank or its respective Notional Euro-Rate Funding Office any other condition or expense with respect to this Agreement, the Note held by each Bank or its making, maintenance or funding of any Loans,

and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon a Bank or its respective Notional Euro-Rate Funding Office with respect to this Agreement, its Note or the making, maintenance or funding of any part of any Loan or, in the case of any capital adequacy or similar requirement, to have the effect of reducing the return on such Bank's or holding company's capital, of such Bank or the Bank holding company which is the parent of such Bank (taking into account the Bank's policies with respect to capital adequacy) by an amount which such Bank deems to be material (such Bank being deemed for this purpose to have made, maintained or funded each Euro-Rate Loan from a Corresponding Source of Funds), such Bank shall from time to time notify the Borrower of the amount determined (using any averaging and attribution methods) by the Bank in good faith (which determination shall be conclusive) to be necessary to compensate the Bank or its Notional Euro-Rate Funding Office for such increase in cost, reduction in income or additional expense reasonably allocable to the making, maintenance or funding of Loans hereunder. Such amount shall be due and payable by the Borrower to such Bank thirty (30) days after such notice is given.

(b) Indemnity. In addition to the compensation required by subsection (a) of this Section 2.09, the Borrower shall indemnify each Bank respectively against any loss or expense (including loss of margin) which the applicable Bank has sustained or incurred as a consequence of any

(i) payment or prepayment of any part of any Euro-Rate Loan or Money Market Rate Loan on a day other than the last day of the corresponding Maturity Period (whether or not such payment or prepayment is mandatory and whether or not such payment or prepayment is then due),

(ii) attempt by the Borrower to revoke (expressly, by later inconsistent notices or otherwise) in whole or part any notice stated

herein to be irrevocable (such Bank having in its discretion the options (A) to give effect to any such attempted revocation and obtain indemnity under this Section 2.09(b) or (B) to treat such attempted revocation as having no force or effect, as if never made), or

(iii) default by the Borrower in the performance or observance of any covenant or condition contained in this Agreement or the Notes, including without limitation any failure of the Borrower to pay when due (by acceleration or otherwise) any principal, interest, Commitment Fees or any other amount due hereunder or under the Notes, or

(iv) claims, demands, losses or expenses incurred by or asserted against either Bank in connection with the Borrower's use of the proceeds of any Loan and/or either Bank's role as a lender hereunder except to the extent caused by such Bank's gross negligence or willful misconduct.

If a Bank sustains or incurs any such loss or expense it shall from time to time notify the Borrower of the amount determined by such Bank in good faith (which determination shall be conclusive) to be necessary to indemnify such Bank for such loss or expense (the Bank being deemed for this purpose to have made, maintained or funded each Euro-Rate Loan from a Corresponding Source of Funds). Such amount shall be due and payable by the Borrower to such Bank ten Business Days after such notice is given. Notwithstanding the provisions of this Section 2.09(b), the Borrower shall not be required to indemnify such Bank as a consequence of any of the events specified in clauses (i) through (iv) of this Section 2.09(b) if the sole cause of such event is an act of God, civil commotion, governmental action, fire, explosion, strike or other industrial disturbance, equipment malfunction or any other cause that is beyond the Borrower's reasonable control.

#### 2.10. Funding by Branch, Subsidiary or Affiliate.

(a) Notional Funding. Each Bank shall have the right from time to time, prospectively or retrospectively, without notice to the Borrower, to deem any branch, subsidiary or affiliate of such Bank to have made, maintained or funded any of the Bank's Euro-Rate Loans at any time. Any branch, subsidiary or affiliate so deemed shall be known as a "Notional Euro-Rate Funding Office." Each Bank shall deem any of its Euro-Rate Loans or the funding therefor to have been transferred to a different Notional Euro-Rate Funding Office if such transfer would avoid or cure an event or condition described in Section 2.05(e)(ii) hereof or would lessen compensation payable by the Borrower under Section 2.09(a) hereof, and if such Bank determines in its sole discretion that such transfer would be practicable and would not have a Material Adverse Effect on such Loans, such Bank or its Notional Euro-Rate Funding Office (it being assumed for purposes of such determination that each such Euro-Rate Loan is actually made or maintained by or funded through the corresponding Notional Euro-Rate Funding Office). Notional Euro-Rate Funding Offices may be selected by each Bank respectively without regard to each Bank's actual methods of making, maintaining or funding Loans or any sources of funding actually used by or available to such Bank.

(b) Actual Funding. Each Bank shall have the right from time to time to make or maintain any Euro-Rate Loan by arranging for a branch, subsidiary or affiliate of such Bank to make or maintain such Loan. Each Bank shall have the right to hold any applicable Note payable to its order for the benefit and account of such branch, subsidiary or affiliate. If a Bank causes a branch, subsidiary or affiliate to make or maintain any Loan hereunder, all terms and conditions of this Agreement shall, except where the context clearly requires otherwise, be applicable to such Loan to the same extent as if such Loan were made or maintained by such Bank.

### ARTICLE III REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

3.01. Organization and Qualification. The Borrower and each of its Subsidiaries are corporations duly organized, validly existing and in good standing under the laws of the their respective jurisdictions of incorporation; each of the Borrower and its Subsidiaries has the power and authority to own its properties as assets, and to carry on its business as presently conducted and is qualified to do business in those jurisdictions in which its ownership of property or the nature of its business activities is such that failure to receive or retain such qualification would have a Material Adverse Effect upon the business, operations or condition (financial or otherwise) of the enterprise comprised of the Borrower and its Consolidated Subsidiaries taken as a whole. A list of the Borrower's Subsidiaries setting forth their respective jurisdictions of incorporation is set forth in Schedule 1 hereto.

3.02. Corporate Power and Authorization. The Borrower has corporate power and authority to make and carry out this Agreement, to make the borrowings provided for herein, to execute and deliver the Notes and to perform its obligations hereunder and under the Notes; all such action has been duly authorized by all necessary corporate proceedings on its part.

3.03. Financial Statements. The Borrower has furnished to each Bank copies of the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries including a consolidated balance sheet and related statements of income and retained earnings for the fiscal year ending March 30, 1996. Such financial statements fairly present the financial position of the Borrower and its Consolidated Subsidiaries as of the date of such reports and the consolidated results of their operations and cash flows for the fiscal periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis and

have been examined and reported upon by Arthur Andersen & Co., independent, certified public accountants.

3.04. Litigation. Except as disclosed to each Bank in writing prior to the Closing Date or otherwise disclosed in the financial statements delivered to Bank pursuant to Section 3.03 hereof, there is no litigation or governmental proceeding by or against the Borrower pending or, to its knowledge, threatened, which in the reasonable judgment of the Borrower, involves or could involve any Material Adverse Effect on the business, operations, prospects or condition (financial or otherwise) of the enterprise represented by the Borrower and its Consolidated Subsidiaries taken as a whole.

3.05. No Adverse Changes. Since March 30, 1996 there has been no material adverse change in the business, operations, prospects or condition (financial or otherwise) of the enterprise represented by the Borrower and its Consolidated Subsidiaries taken as a whole.

3.06. No Conflicting Laws or Agreements; Consents and Approvals. (a) Neither the execution and delivery of this Agreement, the consummation of the transactions herein contemplated nor compliance with the terms and provisions hereof or of the Notes will conflict with or result in a breach of any of the terms, conditions or provisions of the articles of incorporation or by-laws of the Borrower or of any Law or of any agreement or instrument to which the Borrower is a party or by which it is bound or to which it is subject, or constitute a default thereunder or result in the creation or imposition of any Lien of any nature whatsoever upon any of the property of the Borrower pursuant to the terms of any such agreement or instrument.

(b) No authorization, consent, approval, license, exemption or other action by, and no registration, qualification, designation, declaration or filing with, any Official Body is or will be necessary or advisable in connection with execution and delivery of this Agreement, of the Notes, consummation of the transactions herein or therein contemplated, performance of or compliance with the terms and conditions hereof or thereof.

3.07. Execution and Binding Effect. This Agreement has been duly and validly executed and delivered by the Borrower. This Agreement constitutes, and the Notes when duly executed and delivered by the Borrower pursuant to the provisions hereof will constitute, legal, valid and binding obligations of the Borrower, enforceable in accordance with the terms thereof except, as to the enforcement of remedies, for limitations imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally including, without limitation, Laws with respect to fraudulent conveyance, or by Laws limiting the right of specific performance or by general principles of equity.

3.08. ERISA Matters. (i) Each Plan has been maintained, in all material respects, in accordance with its terms and with all provisions of ERISA applicable thereto, (ii) no Reportable Event has occurred and is continuing with respect to any Plan and (iii) the Borrower has not incurred any liability to PBGC.

3.09. Taxes. All tax returns required to be filed by the Borrower have been properly prepared, executed and filed. All taxes, assessments, fees and other governmental charges upon the Borrower or upon its properties, income or sales which are due and payable have been paid. The reserves and provisions for taxes on the books of the Borrower are adequate for all open years and for its current fiscal period.

3.10. Regulation U. The Borrower will make no borrowing hereunder for the purpose of buying or carrying any "margin stock" as such term is used in Regulation U of the Board of Governors of the Federal Reserve System. The Borrower is not engaged in the business of extending credit to others for the purposes of buying or carrying any "margin stock."

3.11. Environmental Matters. The Borrower and each Subsidiary and their respective Environmental Affiliates is now in material compliance with all applicable Environmental Laws. There are, to the Borrower's knowledge after due inquiry, no circumstances that may prevent or interfere with such material compliance in the future. The Borrower and each Subsidiary and their respective Environmental Affiliates have all material Environmental Approvals necessary or desirable for the ownership and operation of their respective properties, facilities and businesses as presently owned and operated and as presently proposed to be owned and operated and for the manufacture, use, production and distribution of their respective products and equipment as presently done and as presently proposed to be done. Except as disclosed in Schedule 2 hereto, there is no Environmental Claim pending or threatened, and, to the Borrower's knowledge, there are no past or present acts, omissions, events or circumstances that could form the basis of any Environmental Claim, against the Borrower or any Subsidiary. To the best of the Borrower's knowledge, no facility or property now or previously owned, operated or leased by the Borrower or any Subsidiary or any of its respective Environmental Affiliates is an Environmental Cleanup Site. To the best of the Borrower's knowledge, except as set forth on Schedule 2, neither the Borrower nor any Subsidiary nor any of its respective Environmental Affiliates has directly transported or directly arranged for the transportation of any Environmental Concern Materials to any Environmental Cleanup Site. No Lien exists, and, to the best of the Borrower's knowledge, except as set forth on Schedule 2, no condition exists which could result in the filing of a Lien, against any property of the Borrower or any Subsidiary or any of its respective Environmental Affiliates, under any Environmental Law.

3.12. Patents. Licenses Franchises. The Borrower and each Subsidiary own or possess all the patents, trademarks, service marks, trade names, copyrights, licenses, franchises, permits and rights with respect to the

foregoing necessary to own and operate their respective properties and to carry on their respective businesses as presently conducted and presently planned to be conducted without conflict with the rights of others.

3.13. Investment Company: Public Utility Holding Company. The Borrower: (a) is not an investment company within the meaning of the Investment Company Act of 1940; and (b) is exempt from registration under the Public Utility Holding Company Act of 1935.

3.14. Accurate and Complete Disclosure. To the best of the Borrower's knowledge, the Borrower has disclosed to each Bank in writing every fact which materially and adversely affects, or which so far as the Borrower can reasonably foresee would materially and adversely affect, the business, operations, prospects or condition (financial or otherwise) of the Borrower or the ability of the Borrower to perform its obligations under this Agreement and the Notes.

3.15. Absence of Violations. The Borrower is not in violation of any charter document, corporate minute or resolution, any instrument or agreement, in each case binding on it or affecting its property, or any requirement of law, in a manner which could have a materially adverse effect, including without limitation all applicable federal and state tax laws, ERISA and environmental laws. For purposes hereof materially adverse effect shall mean any "materially adverse effect" on the financial condition or business operations of the Borrower or material impairment of the ability of the Borrower to perform its obligations hereunder or under any of the loan documents.

ARTICLE IV  
CONDITIONS OF LENDING  
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The obligations of each Bank to make any Loan hereunder are subject to the accuracy as of the date hereof of the representations and warranties herein contained, to the performance by the Borrower of its obligations to be performed hereunder on or before the date of such Loans and to the satisfaction of the following further conditions:

4.01. Representations and Warranties: Events of Default and Potential Defaults. The representations and warranties contained in Article III hereof shall be true on and as of the date of each Loan hereunder with the same effect as though made on and as of each such date, and on the date of each Loan hereunder no Event of Default and no Potential Default shall have occurred and be continuing or exist or shall occur or exist after giving effect to the Loans to be made on such date. Failure of a Bank to receive notice from the Borrower to the contrary before any Loan is made or deemed made hereunder shall constitute a representation and warranty by the Borrower that (i) the representations and warranties contained in Article III hereof are true and correct on and as of the date of such Loan with the same effect as though made on and as of such date and (ii) on the date of such Loan no Event of Default or Potential Default has occurred and is continuing or exists or will occur or exist after giving effect to such Loan.

4.02. Proceedings and Incumbency. There shall have been delivered to each Bank a certificate in form and substance satisfactory to each Bank dated the Closing Date and signed on behalf of the Borrower by the Secretary or an Assistant Secretary of the Borrower, certifying as to (a) true copies of all corporate action taken by the Borrower relative to this Agreement and the Notes, including but not limited to that described in Section 3.02 hereof and (b) the names, true signatures and incumbency of the officer or officers of the Borrower authorized to execute and deliver this Agreement and the Notes. Each Bank may conclusively rely on such certificates unless and until a later certificate revising the prior certificates have been furnished to the Banks.

4.03. Opinion of Counsel. There shall have been delivered to each Bank a written opinion addressed to both Banks, dated the Closing Date, of Lisa Lopez, General Counsel of the Borrower, in form and substance satisfactory to both Banks, as to the matters referred to in Sections 3.01, 3.02, 3.04, 3.06 and 3.07 hereof (except that as to the matters referred to in Sections 3.04 and 3.06 such opinion may be limited to the knowledge of such counsel).

4.04. Details. Proceedings and Documents. All legal details and proceedings in connection with the transactions contemplated by this Agreement shall be satisfactory to both Banks, and each Bank shall have received all such counterpart originals or certified or other copies of such documents and proceedings in connection with such transactions, in form and substance satisfactory to it, as each Bank may from time to time reasonably request.

ARTICLE V  
AFFIRMATIVE COVENANTS  
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The Borrower hereby covenants to each Bank as follows:

5.01. Reporting and Information Requirements. The Borrower shall deliver to each Bank:

(a) Annual Reports. As soon as practicable and in any event within 100 days after the close of each fiscal year of the Borrower, the Borrower shall furnish to each Bank, audited consolidated statements of income, retained earnings and cash flows of the Borrower and its Consolidated Subsidiaries for such fiscal year and a consolidated audited balance sheet of the Borrower and its Consolidated Subsidiaries as of the close of such fiscal year, and notes to each, all in reasonable detail and in accordance

with GAAP, setting forth in comparative form the corresponding figures for the preceding fiscal year, with such statements and balance sheets to be certified by independent public accountants of recognized national standing selected by the Borrower and acceptable to each Bank, the certificate or report of such accountants shall be free of exceptions or qualifications not reasonably acceptable to each Bank.

(b) Quarterly Statements. Within 60 days after the end of the first, second and third quarterly accounting periods in each fiscal year of the Borrower, copies of the unaudited consolidated balance sheets of the Borrower and its Consolidated Subsidiaries as of the end of such accounting period and of the consolidated income statements of the Borrower and its Consolidated Subsidiaries for the elapsed portion of the fiscal year ended with the last day of such accounting period, all in reasonable detail subject to year-end audit adjustments and certified by the principal financial officer of the Borrower to have been prepared in accordance with generally accepted accounting principles consistently applied by the Borrower except as explained in such certificate.

(c) Compliance Certificates. Within 100 days after the end of each fiscal year of the Borrower and within 60 days after the end of each of the first three quarters of each fiscal year, the Borrower shall deliver to each Bank, a certificate dated as of the end of such fiscal year or quarter, signed on behalf of the Borrower by a principal financial officer, (i) stating that as of the date thereof no Event of Default or Potential Default has occurred and is continuing or exists, or if an Event of Default or Potential Default has occurred and is continuing or exists, specifying in detail the nature and period of existence thereof and any action with respect thereto taken or contemplated to be taken by the Borrower, (ii) stating in reasonable detail the information and calculations necessary to establish compliance with the provisions of Article VI hereof, and (iii) stating that the signer has reviewed this Agreement and that such certificate is based on an examination made by or under the supervision of the signer sufficient to assure that such certificate is accurate.

(d) Further Information. The Borrower will promptly furnish to each Bank such other information and in such form as each Bank may reasonably request, with a copy furnished thereof to the other Bank.

(e) Notice of Event of Default. Immediately upon becoming aware of any Event of Default or Potential Default the Borrower shall give each Bank notice thereof, together with a written statement of the president or a principal financial officer of the Borrower setting forth the details thereof and any action with respect thereto taken or contemplated to be taken by the Borrower.

(f) Notice of Material Adverse Change. Promptly upon becoming aware thereof, the Borrower shall give each Bank notice of any material adverse change in the business, operations or condition (financial or otherwise) of the Borrower or of the enterprise represented by the Borrower and its Subsidiaries taken as a whole.

(g) Notice of Material Proceedings. Promptly upon becoming aware thereof the Borrower shall give each Bank notice of the commencement, existence or threat of any proceeding or a material change in any existing material proceeding by or before any Official Body against or affecting the Borrower which, if adversely decided, would have a Material Adverse Effect on the business, operations, prospects or condition (financial or otherwise) of the Borrower or on the ability of the Borrower to perform its obligations under this Agreement or the Notes.

(h) Notice of Pension-Related Events. Promptly after the Borrower, any Controlled Group Member or any administrator of a Plan:

(i) has knowledge of the occurrence of a Reportable Event with respect to a Plan or that action has been or will be taken by any Person to terminate any Plan in accordance with Section 4041 of ERISA or otherwise, or

(ii) files a notice of intent to terminate a Plan with the Internal Revenue Service or the PBGC; or files with the Internal Revenue Service a request pursuant to Section 412(d) of the Code for a variance from the minimum funding standard for a Plan; or files a return with the Internal Revenue Service with respect to the tax imposed under Section 4971(a) of the Code for failure to meet the minimum funding standards established under Section 412 of the Code for a Plan,

the Borrower will furnish to each Bank a copy of any notice, return or other written materials applicable or required to be filed by the Borrower in respect thereof; the most recent Annual Report (Form 5500 Series) and attachments thereto for the Plan; the most recent actuarial report for the Plan; and a written statement of the President or chief financial officer of the Borrower describing the event or the action taken and the reasons therefor.

(i) Visitation. The Borrower shall permit such Persons as each Bank may designate to visit and inspect any of the properties of the Borrower, to discuss its affairs with its financial management and accountants, and provide such other information relating to the business and financial condition of the Borrower at such times as each Bank may reasonably request and the Borrower may reasonably agree. The Borrower hereby authorizes its financial management to discuss with each Bank the affairs of the Borrower.

5.02. Preservation of Existence and Franchises. The Borrower shall and shall cause each of its Subsidiaries to maintain its corporate existence, rights and franchises in full force and effect in its



jurisdiction of incorporation. The Borrower shall and shall cause each of its Subsidiaries to qualify and remain qualified as a foreign corporation in each jurisdiction in which failure to receive or retain such qualification would have a Material Adverse Effect on the business, operations or financial condition of the Borrower or such Subsidiary.

5.03. Insurance. The Borrower shall maintain with financially sound and reputable insurers insurance with respect to its properties and business and against such liabilities, casualties and contingencies and of such types and in such amounts as is customary in the case of corporations engaged in the same or a similar business or having similar properties similarly situated.

5.04. Maintenance of Properties. The Borrower shall maintain or cause to be maintained in good repair, working order and condition the properties now or hereafter owned, leased or otherwise possessed by and used or useful in its business and shall make or cause to be made all needful and proper repairs, renewals, replacements and improvements thereto so that the business carried on in connection therewith may be properly conducted at all times, provided, however, that the foregoing shall not impose on the Borrower any obligation in respect of any property leased by the Borrower in addition to the Borrower's obligations under the applicable document creating the Borrower's lease or tenancy.

5.05. Payment of Taxes and Other Potential Charges and Priority Claims: Payment of Other Current Liabilities. The Borrower shall and shall cause each of its Subsidiaries to pay or discharge:

(a) on or prior to the date on which penalties attach thereto, all taxes, assessments and other governmental charges or levies imposed upon it or any of its properties or income (including such as may arise under Section 4062, Section 4063 or Section 4064 of ERISA, or any similar provision of law);

(b) on or prior to the date when due, all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons which, if unpaid, might result in the creation of a Lien upon any such property; and

(c) on or prior to the date when due, all other lawful claims which, if unpaid, might result in the creation of a Lien upon any such property (other than Liens not forbidden by Section 6.06 hereof) or which, if unpaid, might give rise to a claim entitled to priority over general creditors of the Borrower in a case under Title 11 (Bankruptcy) of the United States Code, as amended, or in any insolvency proceeding or dissolution or winding-up involving the Borrower or such Subsidiary;

provided that, unless and until foreclosure, distraint, levy, sale or similar proceedings shall have been commenced, the Borrower need not pay or discharge any such tax, assessment, charge, levy or claim so long as the validity thereof is contested in good faith and by appropriate proceedings diligently conducted and so long as such reserves or other appropriate provisions as may be required by GAAP shall have been made therefor and so long as such failure to pay or discharge does not have a Material Adverse Effect on the business, operations or financial condition of the Borrower and its Subsidiaries, taken as a whole.

5.06. Financial Accounting Practices. The Borrower shall and shall cause each of its Subsidiaries to make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect its transactions and dispositions of its assets and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements required under Section 5.01 hereof in conformity with GAAP and to maintain accountability for assets.

5.07. Compliance with Laws. The Borrower shall and shall cause each of its Subsidiaries to comply with all applicable Laws (including but not limited to ERISA, the Code and any applicable product safety or Environmental Law) in all respects; provided that the Borrower or any Subsidiary shall not be deemed to be in violation of this Section 5.07 as a result of any failures to comply which would not result in fines, penalties, injunctive relief or other civil or criminal liabilities which, in the aggregate, would materially adversely affect the business, operations, prospects or condition (financial or otherwise) of the enterprise represented by the Borrower and its Consolidated Subsidiaries taken as a whole or the ability of the Borrower to perform its obligations under this Agreement or the Notes.

5.08. Use of Proceeds. The Borrower shall use the proceeds of all Loans hereunder for its general corporate purposes.

5.09. Continuation Of and Change In Business. The Borrower and its Subsidiaries shall continue to engage in the business and activities substantially as currently engaged in and the Borrower shall not engage in any other unrelated businesses or activities to any substantial degree.

ARTICLE VI  
NEGATIVE COVENANTS  
-----

The Borrower covenants to each Bank as follows:

6.01. Financial Maintenance Covenants.

(a) Tangible Net Worth. The Borrower shall maintain Consolidated Tangible Net Worth which is at all times equal to \$160,000,000 increased yearly on a cumulative basis by an amount equal to fifty percent (50%) of

the Consolidated Net Income for the preceding fiscal year beginning with the fiscal year ending 1997 provided, however, that if in any year Consolidated Net Income constitutes a loss, there shall be no deduction or adjustment to the foregoing reflecting such loss.

(b) Debt/Worth. The ratio of Consolidated Total Indebtedness to Consolidated Tangible Net Worth shall at no time exceed .5 to 1.

(c) Operating Cash Flow/Total Debt Service. The ratio of Operating Cash Flow to Total Debt Service shall at no time be less than 2 to 1, provided, however, that for the purposes of this section 6.01 (c): (i). Operating Cash Flow shall mean Operating Cash Flow of the Borrower and its Consolidated Subsidiaries for the most recent and three prior fiscal quarters; and (ii) Total Debt Service shall mean Total Debt Service of the Borrower and its Consolidated Subsidiaries for the most recent and three prior fiscal quarters.

6.02. Merger. The Borrower shall not, and shall not permit any Subsidiary to, merge with or into or consolidate with any other Person, or agree to do any of the foregoing, except that if no Event of Default or Potential Event of Default shall occur and be continuing or shall exist at the time of such merger or consolidation or immediately thereafter and after giving effect thereto:

(a) a Subsidiary may merge with or into or consolidate with any other Subsidiary;

(b) the Borrower may merge with any other corporation, including a Subsidiary, if the Borrower shall be the surviving corporation;

(c) if the Bank's consent is obtained, the Borrower may merge into or consolidate with any other corporation if the corporation into which the Borrower is merged or which is formed by such consolidation shall expressly assume all obligations of the Borrower under this Agreement.

6.03. Dispositions of Assets. The Borrower shall not, and shall not permit any Subsidiary to sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily (any of the foregoing being referred to in this Section 6.03 as a "transaction" and any series of related transactions constituting but a single transaction), any of its properties or Assets, tangible or intangible (including but not limited to sale, assignment, discount or other disposition of accounts, contract rights, chattel paper or general intangibles with or without recourse), except:

(a) transactions in the ordinary course of business involving current assets or leases of warehouse space;

(b) sales, conveyances, assignments or other transfers or dispositions in immediate exchange for cash or tangible assets, provided that any such sales, conveyances or transfers shall not individually, or in the aggregate, exceed \$15,000,000 in any fiscal Year; or

(c) dispositions of equipment or other property which is obsolete or no longer used or useful in the conduct of the business of the Borrower.

6.04 Liens. The Borrower shall not, and shall not permit any Subsidiary to at any time create, incur, assume or suffer to exist any Lien on any of its property or assets, tangible or intangible, now owned or hereafter acquired or agree or become liable to do so, except:

(a) Liens existing on the date hereof (and extension/s, renewal and replacement Liens upon the same property, provided the amount secured by each Lien constituting such an extension, renewal or replacement Lien shall not exceed the amount secured by the Lien theretofore existing);

(b) Liens arising from taxes, assessments, charges, levies or claims described in Section 5.05 hereof that are not yet due or that remain payable without penalty or to the extent permitted to remain unpaid under the provision of such Section 5.05;

(c) Liens on property securing all or part of the purchase price thereof to the Borrower and Liens (whether or not assumed) existing in property at the time of purchase thereof by the Borrower (and extension, renewal and replacement Liens upon the same property), provided -

(i) each such Lien is confined solely to the property so purchased, improvements thereto and proceeds thereof, and

(ii) the aggregate amount of the obligations secured by all such Liens on any particular property at any time purchased by the Borrower, as applicable, shall not exceed 100% (if such obligations are not subject when created to United States income taxes) or 90% (in all other cases) of the lesser of the fair market value of such property at such time or the actual purchase price of such property.

(d) Zoning restrictions, easements, minor restrictions on the use of real property, minor irregularities in title thereto and other minor Liens that do not in the aggregate materially detract from the value of a property or Asset to, or materially impair its use in the business of, the Borrower.

6.05. Transactions With Affiliates. The Borrower shall not, and shall not permit any Subsidiary to, enter into or carry out any transaction with (including, without limitation, purchase or lease property or services to, loan or advance to or enter into, suffer to remain in existence or amend any contract, agreement or arrangement with) any Affiliate of the Borrower, or directly or indirectly to do any of the foregoing, except transactions with Affiliates in good faith and on terms no less favorable to the Borrower or

any Subsidiary than those that could have been obtained in a comparable transaction on an arm's length basis from an unrelated Person.

6.06. Limitation or Other Restrictions on Dividends by Subsidiaries etc. The Borrower shall not permit any Subsidiary to be or become subject to any restriction of any nature (whether arising by operation of Law, by agreement, by its articles of incorporation, by-laws or other constituent documents of such Subsidiary, or otherwise) on the right of such Subsidiary from time to time to: (i) declare and pay dividends or other distributions with respect to capital stock owned by the Borrower or any Subsidiary, (ii) pay any indebtedness, obligations or liabilities from time to time owed to the Borrower or any Subsidiary except legal restrictions of general applicability under the corporation law under which such Subsidiary is incorporated, and fraudulent conveyance or similar laws or general applicability for the benefit of creditors of such Subsidiary generally.

6.07. Loans and Investments. The Borrower shall not and shall not permit any Subsidiary to, at any time make or suffer to remain outstanding any loan or advance to, or purchase, acquire or own any stock, bonds, notes or securities of, or any partnership interest (whether general or limited) in, or any other interest in, or make any capital contribution to, any other Person, or agree, become or remain liable to do any of the foregoing, except:

(a) trade credit extended, and loans and advances extended to subcontractors or suppliers, under usual and customary terms in the ordinary course of business;

(b) advances to employees to meet expenses incurred by such employees in the ordinary course of business, advances to employees against commissions or bonuses paid in accordance with the terms of any formal commission/bonus plan, or to meet expenses incurred by such employees in the ordinary course of such business, or to meet education and relocation related expenses incurred in the Borrower's interest;

(c) loans from a Subsidiary to the Borrower or to another Subsidiary or loans from the Borrower to a Subsidiary;

(d) investments in the capital stock of a Subsidiary owned on the date hereof;

(e) investments permitted by the Borrower's Investment Management Policy for cash investments, as such is presently in effect and disclosed to the Banks;

(f) money market or mutual fund investments from time acquired or maintained by the Borrower if acquired for investment in the ordinary course of business;

(g) investments in an amount at any time outstanding not to exceed \$10,000,000 with respect to any one transaction and \$25,000,000 in the aggregate, provided that no Potential Default or Event of Default has occurred and is continuing or would occur after giving effect thereto and, provided such investments are in Persons whose activities are within the scope of the Borrower's activities at the time of the particular investment.

6.08. Sale-Leasebacks. The Borrower shall not, and shall not permit any Subsidiary to, at any time enter into or suffer to remain in effect any transaction to which the Borrower or such Subsidiary is a party involving the sale, transfer or other disposition by the Borrower or any Subsidiary of any property (now owned or hereafter acquired), with a view directly or indirectly to the leasing back of any part of the same property or any other property used for the same or a similar purpose or purposes in an aggregate amount in excess of \$20,000,000 at any time outstanding.

6.09. Business. The Borrower will not and will not permit any Subsidiary to engage (directly or indirectly) in any businesses other than the businesses in which the Borrower and its Subsidiaries are engaged on the Closing Date and any businesses reasonably related thereto, including any investment in blood centers.

6.10. Disposition of Stock In and Indebtedness of Subsidiaries. The Borrower will not directly or indirectly sell or otherwise dispose of, or part with control of, any shares of capital stock of a Subsidiary (or any Indebtedness of a Subsidiary) and the Borrower will not permit any Subsidiary directly or indirectly to issue, sell or otherwise dispose of, or part with control of, any shares of capital stock of itself or another Subsidiary (or any Indebtedness of itself or another Subsidiary) (an "indirect" disposition or issuance of shares of capital stock shall include but not be limited to disposition or issuance of warrants, rights or options for, or securities convertible into, such shares), except:

(i) a Subsidiary may issue and dispose of shares of its own capital stock pursuant to a stock dividend or recapitalization not forbidden by Section 6.02 hereof; and

(ii) the Borrower may sell or otherwise dispose of the capital stock and Indebtedness of a Subsidiary in a single transaction if the capital stock or Indebtedness to be sold or disposed of does not represent more than 20% of the Consolidated Net Worth of the Borrower and its Consolidated Subsidiaries and as long as no Event of Default or Potential Default exists at the time or after the occurrence of the transaction.

7.01. Events of Default. If one or more of the following described Events of Default shall occur, that is to say:

(a) The Borrower shall default in the payment when due of the principal of any Loan;

(b) The Borrower shall default in the payment when due of any interest, Commitment Fees, or any other fee or amount payable hereunder which default shall continue for a period of five (5) days from the due date thereof;

(c) The Borrower shall default in the observance, performance or fulfillment of any covenant contained in Article VI hereof;

(d) The Borrower shall default (i) in any payment of principal of or interest on any other obligation for borrowed money in principal amount of \$200,000 or more beyond any period of grace provided with respect thereto, or (ii) in the performance of any other agreement, term or condition contained in any such agreement under which any such obligation in principal amount of \$100,000 or more is created, if the effect of such default is to cause or permit the holder or holders of such obligation (or trustee on behalf of such holder or holders) to cause such obligation to become due prior to its stated maturity;

(e) One or more judgments for the payment of money shall have been entered against the Borrower which judgment/s exceed \$100,000 in the aggregate and such judgment/s shall remain undischarged or uncontested or appealed in good faith for a period of thirty (30) consecutive days;

(f) Any representation or warranty herein made by the Borrower, or any certificate or financial statement furnished pursuant to the provisions hereof, shall prove to have been false or misleading in any material respect as of the time made or furnished;

(g) The Borrower shall default in the observance, performance or fulfillment of any other covenant, condition or provision hereof and such default shall not be remedied for a period of twenty (20) days after written notice thereof to the Borrower from a Bank or the holder of any Note issued hereunder;

(h) Any Controlled Group Member shall fail to pay when due any amount which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate any Plan shall be filed under Title IV of ERISA by any Controlled Group Member, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability in respect of, or to cause a trustee to be appointed to administer any Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Plan must be terminated; or there shall occur a complete or partial withdrawal from, followed by a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans by one or more Controlled Group Members;

(i) A Change in Control shall occur;

(j) A decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Borrower a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Borrower under the Federal bankruptcy laws, or any other similar applicable Federal or State law, and such decree or order shall have continued undischarged or unstayed for a period of sixty (60) days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Borrower or a substantial part of its property, or for the winding up or liquidation of its affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of sixty (60) days;

(k) The Borrower shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization under the Federal bankruptcy laws, or any other similar applicable Federal or State law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of a substantial part of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the Borrower in furtherance of any of the aforesaid purposes;

then, (i) as to any Event of Default specified under subsections (a) through (i) of this Article VII, both Banks shall be under no further obligation to make Loans hereunder and may, by separate written notice to the Borrower, each Bank may declare the unpaid balance of all of its Loans then outstanding and interest accrued thereon and all other liabilities of the Borrower hereunder and thereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable, without presentment, demand, protest or notice or any kind, all of which are hereby expressly waived; and (ii) as to any Event of Default specified under subsections (j) or (k) of this Article VII, both Banks shall be under no further obligation to make Loans hereunder and the unpaid balance of all Loans from both Banks outstanding hereunder and interest accrued thereon and all other liabilities of the Borrower hereunder and thereunder shall be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived. Each Bank has the right to act independently from the other Bank in declaring a default and exercising its remedies under this Agreement.

ARTICLE VIII  
MISCELLANEOUS  
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8.01. No Implied Waiver etc. No delay or failure of a Bank, or the holder of any Note in exercising any right, power or privilege hereunder shall affect such right, power or privilege; nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power or privilege preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies hereunder of a Bank and any holder of the Note are cumulative and not exclusive of any rights or remedies which, it or they would otherwise have. Any amendment, waiver, permit, consent or approval of any kind or character on the part of each Bank of any breach or default under this Agreement or any such waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent in such writing specifically set forth.

8.02. Set-Off. In case any one or more of the Events of Default described in Article VII hereof shall occur, or upon the happening of any Potential Default, the holder of any Note shall have the right, in addition to all other rights and remedies available to it, to set-off against the unpaid balance of the Note held by it any debt owing by such holder to the Borrower, including without limitation any funds in any deposit account maintained by the Borrower with such holder, and such holder shall have and there is hereby created in favor of such holder a security interest in all deposit accounts maintained by the Borrower with such holder. Any sums obtained by the holder of any Note issued hereunder by way of counterclaim, set-off, banker's lien or other lien for application upon any Note held by it shall be shared pro rata with the holders of the other Notes. Nothing in this Agreement shall be deemed any waiver or prohibition of any right of banker's lien or set-off under applicable Law.

8.03. Survival of Provisions. All representations, warranties, covenants and agreements of the Borrower contained herein or made in writing in connection herewith shall survive the execution and delivery of this Agreement, the making of Loans hereunder and the issuance of the Notes.

8.04. Expenses and Fees: Indemnity. The Borrower agrees to pay and save each Bank harmless against liability for the payment of, all expenses of the Bank (including the reasonable fees and expenses of counsel for such Bank which for all purposes hereof shall include counsel employed by such Bank) arising in connection with the preparation and negotiation of this Agreement and the Notes, enforcement or collection thereof and relating to consents, amendments and waivers hereof. Unless caused by each Bank's gross negligence or willful misconduct, the Borrower further agrees to indemnify, defend and hold each Bank, its officers, directors and employees harmless from and against all claims, losses, causes of action, damages, liabilities, expenses and costs of any kind which are in any way sustained by each Bank and which arise out of or are incident to the breach by the Borrower of any of its representations hereunder or the failure of the Borrower or any Subsidiary to comply with any Environmental Law.

8.05. Each Bank acknowledges that it has, independently and without reliance upon the other Bank and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the other Bank and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any other loan document, any related agreement or any document furnished hereunder or thereunder.

Neither Bank nor any of its respective directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its or his own gross negligence or willful misconduct or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower of any of the terms, conditions, covenants or agreements contained in any related loan document. Neither Bank shall be responsible to the other Bank for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement, or any other loan documents or other instruments or agreements. Each Bank shall in all cases be fully protected in acting, or refraining from acting, in accordance with its own credit analysis and decision-making for its respective Loans, including any remedies exercised relating thereto. Neither Bank nor any of its respective directors, officers, employees or agents shall have any responsibility to the Borrower on account of the failure of or delay in performance or breach by the other Bank of any of its obligations hereunder or to the other Bank on account of the failure of or delay in performance or breach by the Borrower of any of its respective obligations hereunder or under any other Loan document or in connection herewith or therewith. With respect to the Loans made by it hereunder, each Bank acknowledges that it is acting in its individual capacity and not as an agent or jointly with the other Bank and each shall have the same rights and powers as the other Bank as provided herein.

8.06. Severability. In the event any one or more of the provisions contained in this Agreement or in any other loan document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

8.07. Holidays. Unless otherwise specified herein, whenever any

payment or action to be made or taken hereunder or under the Notes shall be stated to be due on a Saturday, Sunday or public holiday under the laws of the Commonwealth of Pennsylvania, such payment or action shall be made or taken on the next succeeding Business Day and such extension of time shall in such case be included in computing interest, if any, in connection with such payment or action.

8.08. Notices, etc. Any notice or other communication in connection with this Agreement shall be deemed to have been given or made when received by the party to whom directed. All such notices and other communications shall be in writing unless otherwise provided herein and shall be directed, if to Mellon, to One Mellon Bank Center, Pittsburgh, Pennsylvania 15258 Attention: Loan Administration; if to Bank of Boston, to 100 Federal Street, Boston, Massachusetts 02110, Mail Stop No. 01-07-07, Attention: Debbie Phinney; and if to the Borrower, Haemonetics Corporation, 400 Wood Road, Braintree, MA 02184, Attention: Brigid A. Makes, Chief Financial Officer, in accordance with the latest unrevoked written direction from any party to the other parties hereto.

8.09. Governing Law: Waiver of Jury Trial. This Agreement and the Notes issued hereunder shall be deemed to be contracts under the laws of the Commonwealth of Massachusetts and for all purposes shall be construed in accordance with the laws of said Commonwealth without regard to conflicts of law principles. All parties hereby waive their respective rights to a jury trial with respect to any action arising in connection with this Agreement, the Notes or any other loan document.

8.10. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute one and the same instrument.

8.11. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights or duties under this Agreement without the prior written consent of each Bank. Each Bank may assign all or part of its rights and duties under this Agreement to one or more financial institutions or other entities with, if an Event of Default or a Potential Default has not occurred and is continuing, the prior written consent of the Borrower, which consent shall not be unreasonably withheld. Each Bank may freely grant participations in its Commitment and its Loans without the consent of or notice to the Borrower.

IN WITNESS WHEREOF, the parties hereto, by their respective officers thereunto duly authorized, have executed this Agreement as of the day and year first above written.

HAEMONETICS CORPORATION

By: Brigid A. Makes  
-----  
(Signature)

Name: -----

Title: Vice President  
-----

MELLON BANK, N.A.

By: Rita C. Long  
-----  
(Signature)

Name: -----

Title: Vice President  
-----

One Mellon Bank Center  
Pittsburgh, PA 15258  
Attention: Loan Administration  
COMMITMENT AMOUNT: \$10,000,000.00

THE FIRST NATIONAL BANK OF BOSTON

By: Ellen L. Korpi  
-----  
(Signature)

Name: -----

Title: Director  
-----

Address: -----

COMMITMENT AMOUNT: \$10,000,000.00

\$10,000,000.00

Boston, Massachusetts  
Dated: October 1, 1996

FOR VALUE RECEIVED, the undersigned, Haemonetics Corporation, a Massachusetts corporation (the "Borrower"), hereby promises to pay to the order of [Name of Bank]., (the "Bank") on the Maturity Date for each Loan made by the Bank to the Borrower pursuant to the Agreement described below the lesser of (i) the principal sum of Ten Million Dollars (\$10,000,000.00) and (ii) the unpaid principal amount of all such Loans made by the Bank maturing on such Maturity Date. The Borrower further promises to pay to the order of the Bank interest on the unpaid principal amount hereof from time to time outstanding at the rate or rates per annum determined pursuant to Section 2.05 of, or as otherwise provided in, the Agreement, payable on the dates set forth in the Agreement.

This Promissory Note is one of the Notes referred to in the Revolving Credit Agreement dated as of October 1, 1996 among the Borrower, Mellon Bank, N.A. and The First National Bank of Boston (as the same may have been or may hereafter be amended or modified. the "Agreement"), which Agreement, among other things, contains provisions for prepayments on account of principal hereof prior to the maturity hereof and also for acceleration of the maturity hereof upon the happening of certain stated events, upon the terms and conditions therein specified. Terms defined in the Agreement shall have the same meanings herein.

The Borrower hereby expressly waive presentment, demand, protest, and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Agreement, and an action for amounts due hereunder or thereunder shall immediately accrue upon the expiration of any grace period.

This Note shall be governed by, construed and enforced in accordance with the laws of the Commonwealth of Massachusetts, without regard to conflicts of law principles.

HAEMONETICS CORPORATION

By: Brigid A. Makes  
-----  
(Signature)

Name: -----

Title: Vice President  
-----

HAEMONETICS CORPORATION

FIRST AMENDMENT TO  
1992 LONG-TERM INCENTIVE PLAN

The Haemonetics Corporation 1992 Long-Term Incentive Plan (the "Plan") is hereby amended in accordance with the provisions of Section 12 of the Plan this 18th day of April, 1997, subject to shareholder approval of such amendment, as follows:

1. Section 2 of the Plan is amended by adding a new subparagraph (d) as follows:
  - 2(d) The maximum number of shares of the Company's Common Stock with respect to which an option or award may be granted under the Plan to any employee in any one taxable year of the Company shall not exceed 250,000 shares (in the aggregate for all such options or awards taken together), taking into account shares subject to options and awards granted and terminated, or repriced, during such taxable year.
2. Except as herein amended, the Plan is hereby ratified and confirmed in all respects.

Adopted by the Board of Directors: April 18, 1997.



## HAEMONETICS CORPORATION

COMPUTATION OF NET INCOME PER SHARES  
(in thousands except share data)

	March 29, 1997	March 30, 1996	April 1, 1995
	-----	-----	-----
Net Income.....	\$ 32,970	\$ 35,925	\$ 33,645
	=====	=====	=====
Weighted Average common shares outstanding.....	27,160	27,294	27,896
Net effect of dilutive stock options.....	291	428	547
	-----	-----	-----
Total weighted average common and common equivalent shares outstanding.....	27,451	27,722	28,443
	=====	=====	=====
Net income per common and common equivalent share.....	\$ 1.20	\$ 1.30	\$ 1.18
	=====	=====	=====

## 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
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 5, 1997

YEAR  
MAR-29-1997  
MAR-31-1996  
MAR-29-1997  
8,302  
0  
73,160  
961  
55,090  
167,669  
190,758  
87,148  
323,546  
73,624  
10,015  
0  
0  
292  
323,546  
224,982  
309,817  
309,817  
150,056  
150,056  
18,974  
431  
1,762  
50,708  
17,738  
32,970  
0  
0  
0  
32,970  
1.20  
1.20