

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 30, 1996.

COMMISSION FILE NUMBER 1-10730

HAEMONETICS CORPORATION

(Exact name of registrant as specified in its charter)

MASSACHUSETTS
(State of Incorporation)

04-2882273
(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, 1996, WAS APPROXIMATELY \$471,000,000.

THE NUMBER OF SHARES OF THE REGISTRANT'S COMMON STOCK, \$.01 PAR VALUE, OUTSTANDING AS OF MAY 22, 1996, WAS 27,242,229.

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 19, 1996.

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ITEM 1. BUSINESS

(A) NEW DEVELOPMENTS IN THE BUSINESS.

FDA Developments

In April 1996, Haemonetics received marketing clearance from the FDA to market its proprietary two-unit red blood cell collection protocol for autologous donors. This follows the clearance given in October 1995 to market the single-unit red cell and two-unit plasma protocol. 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, for the first time, blood centers now have the ability to practice total apheresis, the automated collection of transfusable units of any of the three blood components; red blood cells, plasma, or platelets. Total apheresis will allow for the most efficient and cost effective use of an ever shrinking donor population.

In April 1996, Haemonetics received marketing clearance from the FDA for a new protocol which allows the collection of 130-155 ml of leukocytes in addition to 450-750 ml source plasma or plasma for reinfusion. Leukocytes (white blood cells) collected from donors are used as a raw material in the manufacturing of diagnostic tests and as therapeutic agents. Currently, many of Haemonetics' customers collect leukocytes and separate them from plasma using manual methods. This new protocol will allow the Company's customers to automate the process using apheresis technology. The protocol produces two products for subsequent sale: leukocytes and source plasma, making it very cost effective for the collector.

In February 1996, Haemonetics received marketing clearance from the FDA for a double, single-donor platelet protocol. The ability to get a double unit platelet product from a single donor is very important given the donor population continues to decrease.

In July 1995, Haemonetics received FDA substantial equivalence for the CollectFirst(TM) system. This system is the newest product offering from Haemonetics in the area of surgical autotransfusion. It is approved for both intraoperative and postoperative autotransfusion and it allows for the continuous collection, filtration, and reinfusion of salvaged blood. This system offers versatility to the physician through its unique ability to be used either for direct reinfusion or with the Haemonetics(R) Cell Saver(R) system for washing of collected red blood cells.

Acquisition Developments

Haemonetics acquired the assets of DHL Laboratories in Union, South Carolina in August 1995. The acquisition is expected to allow the Company to expand its offerings to include the solutions used during automated blood collection procedures. This expansion in capability is particularly critical for the storage and anticoagulant solutions used in the red blood cell business.

In October 1995, Haemonetics announced the formation of HPPS, Haemonetics Plasma Product Services. HPPS was founded to provide expertise to blood banking systems throughout the world to assist them in all phases of plasma processing from collection to fractionation. The goal of HPPS is to enhance the progress made by the Company's customers to convert plasma collected into biological products. HPPS will be based in Lille, France.

(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 which 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 design, manufacture and worldwide marketing of automated systems for the collection, processing and surgical salvage of blood. 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 collection firms and national health organizations in over 50 countries.

(C) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS.

The Company operates in and 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(TM) 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 announced, and is implementing, major programs to reduce dependence on imports of blood components from commercial operators and to become self-sufficient in plasma collection. Increased competitive pressures from these self-sufficiency programs and 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 the 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 Armour pharmaceuticals, 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 the implementation of national self-sufficiency programs driven by the threat of AIDS and other infectious diseases. 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.

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 recently 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 30, 1996, sales of disposable products accounted for approximately 88% of net revenues. Sales of disposable products by the Company were 7.7% higher in 1996 than in 1995 and grew at a compound average annual growth rate of 12% for the three years ended March 30, 1996. 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, have in recent years accounted for approximately 1.0% of the Company's net revenues.

Sales of equipment accounted for approximately 12% of net revenues in fiscal 1996 and approximately 13% in fiscal 1995. 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 which 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 exclusively through the Bentley Laboratories division of Baxter International, Inc. ("Bentley"). This relationship gives Haemonetics valuable additional exposure to the important North American cardiovascular market. 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 which closely match local customer requirements. For the past three fiscal years, the Company's expenditures for research and development were \$18.5 million, \$16.7 million and \$15.8 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 are qualified to ensure specified tolerances and reproducibility. Each step of the subsequent manufacturing and assembly processes is qualified and validated. Critical process steps and materials are documented to ensure that every unit produced consistently meets performance requirements.

All processing chamber 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 98% 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 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 30, 1996, Haemonetics employed 1,251 persons assigned to the following functional areas: manufacturing, 575; sales and marketing, 258; general and administrative, 189; research and development, 100; quality control and field service, 129. 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 11 of the financial statements, page 30.

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, 38,000 square feet to warehousing, 60,000 square feet for administrative and research and development activities and 10,000 square feet available for expansion.

In July 1991, the Company leased 9,631 square feet of space on property adjacent to the main facility in Braintree. The space is used for general office requirements. Annual lease rental expense is \$81,863. In January of 1992, an additional 5,400 square feet was leased in the building. This space is used to operate Kids Space at Haemonetics, a child care facility for use by employees of the Company. Annual lease expense for this space is \$104,913. In November of 1992, the original 9,631 square feet was increased by 16,370 square feet in order to accommodate additional office space requirements. Annual lease expense for this is \$187,531.

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 \$251,000 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 September 1994, the Company acquired a facility in Tucson, Arizona. This facility provides administrative, training and blood donation center space for Haemonetics Blood Services and Training Institute. This facility was acquired at a cost of approximately \$1,850,000 for four floors totaling 28,500 square feet.

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. 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

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

PART II

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

SUMMARY OF QUARTERLY DATA
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

	1996 QUARTER ENDED				1995 QUARTER ENDED			
	JULY 1, 1995	SEPT. 30, 1995	DEC. 30, 1995	MARCH 30, 1996	JULY 2, 1994	OCT. 1, 1994	DEC. 31, 1994	APRIL 1, 1995
Net revenues.....	\$68,775	\$69,133	\$69,858	\$70,450	\$63,311	\$65,337	\$65,574	\$68,194
Gross profit.....	37,317	38,565	39,120	39,611	35,815	36,695	36,040	36,305
Operating income.....	13,560	13,724	13,760	13,327	12,641	13,812	12,953	12,972
Net income.....	8,740	9,200	8,886	9,099	8,100	8,505	8,465	8,575
Net income per share....	\$ 0.32	\$ 0.33	\$ 0.32	\$ 0.33	\$ 0.28	\$ 0.30	\$ 0.30	\$ 0.31

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

	1996 QUARTER ENDED				1995 QUARTER ENDED			
	JULY 1, 1995	SEPT. 30, 1995	DEC. 30, 1995	MARCH 30, 1996	JULY 2, 1994	OCT. 1, 1994	DEC. 31, 1994	APRIL 1, 1995
Market price of Common Stock								
High.....	19 3/8	23 1/8	23	18	20 7/8	19 1/2	21 1/2	18 1/8
Low.....	12 7/8	18 3/8	16 5/8	16 1/4	15 1/4	14	16 1/8	14 3/8

There were approximately 773 holders of record of the Company's common stock as of May 22, 1996.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

HAEMONETICS CORPORATION AND SUBSIDIARIES
TEN-YEAR REVIEW
(IN THOUSANDS, EXCEPT SHARE DATA)

SUMMARY OF OPERATIONS	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Net revenues.....	\$ 278,216	\$ 262,416	\$ 248,449	\$ 216,286	\$ 176,419	\$ 157,332	\$ 124,363	\$ 115,244	\$ 91,409	\$ 52,682
Cost of goods sold...	123,603	117,561	104,879	97,296	85,524	82,656	62,322	54,611	42,840	28,800
Gross profit.....	154,613	144,855	143,570	118,990	90,895	74,676	62,041	60,633	48,569	23,882
Operating expenses:										
Research and development.....	18,467	16,729	15,786	13,589	10,478	8,386	5,776	5,226	4,799	3,206
Selling, general and administrative.....	81,775	75,748	75,940	63,576	50,517	42,452	34,940	34,783	26,724	17,543
Total Operating Expenses.....	100,242	92,477	91,726	77,165	60,995	50,838	40,716	40,009	31,523	20,749
Operating income.....	54,371	52,378	51,844	41,825	29,900	23,838	21,325	20,624	17,046	3,133
Other income/(expense), net.....	883	192	(1,050)	(1,839)	(2,222)	(2,927)	(4,491)	(2,822)	(263)	(764)
Income before provision for income taxes.....	55,254	52,570	50,794	39,986	27,678	20,911	16,834	17,802	16,783	2,369
Provision for income taxes.....	19,329	18,925	19,305	15,231	9,687	7,110	5,455	6,272	6,782	373
Net income.....	\$ 35,925	\$ 33,645	\$ 31,489	\$ 24,755	\$ 17,991	\$ 13,801	\$ 11,379	\$ 11,530	\$ 10,001	\$ 1,996
Earnings per share:										
Net income.....	\$ 1.30	\$ 1.18	\$ 1.09	\$ 0.87	\$ 0.63	\$ 0.50	\$ 0.41	\$ 0.42	\$ 0.36	\$ 0.07
Weighted average number of common and common equivalent shares.....	27,722	28,443	28,802	28,612	28,342	27,554	27,554	27,554	27,554	27,554
FINANCIAL AND STATISTICAL DATA:	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Working capital.....	\$ 112,440	\$ 108,459	\$ 81,504	\$ 63,431	\$ 40,919	\$ 29,471	\$ 27,233	\$ 30,369	\$ 19,668	\$ 12,122
Current ratio.....	3.4	3.2	2.7	2.6	2.1	1.8	1.8	2.4	1.7	2.0
Property, plant and equipment, net.....	\$ 86,416	\$ 82,059	\$ 68,342	\$ 56,015	\$ 46,751	\$ 42,300	\$ 36,214	\$ 23,267	\$ 20,403	\$ 14,801
Capital expenditures. Depreciation and amortization.....	\$ 19,710	\$ 24,907	\$ 22,891	\$ 17,595	\$ 11,373	\$ 12,975	\$ 17,538	\$ 7,314	\$ 7,616	\$ 4,599
Total assets.....	\$ 287,818	\$ 280,509	\$ 230,684	\$ 187,755	\$ 144,846	\$ 117,754	\$ 110,630	\$ 87,752	\$ 68,399	\$ 41,747
Total debt.....	\$ 18,534	\$ 33,392	\$ 14,278	\$ 13,562	\$ 24,098	\$ 24,805	\$ 33,903	\$ 28,588	\$ 14,792	\$ 10,399
Stockholders' equity. Return on average equity.....	\$ 216,970	\$ 193,177	\$ 160,776	\$ 126,650	\$ 90,581	\$ 67,543	\$ 54,083	\$ 42,415	\$ 31,627	\$ 21,313
Debt as a % of stockholders' equity.....	8.5%	17.3%	8.9%	10.7%	26.6%	36.7%	62.7%	67.4%	46.8%	48.8%
Number of employees..	1,251	1,282	1,109	1,002	965	923	810	742	780	625
Net revenues per employee.....	\$ 222	\$ 205	\$ 224	\$ 216	\$ 183	\$ 170	\$ 154	\$ 155	\$ 117	\$ 84

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 30, 1996	YEAR ENDED APRIL 1, 1995	YEAR ENDED APRIL 2, 1994	1996/95	1995/94
Net revenues.....	100.0%	100.0%	100.0%	6.0%	5.6%
Cost of goods sold.....	44.4	44.8	42.2	5.1	12.1
Gross profit.....	55.6	55.2	57.8	6.7	0.9
Operating expenses:					
Research and develop- ment.....	6.6	6.4	6.3	10.4	6.0
Selling, general and administrative.....	29.5	28.8	30.6	8.0	--
Total operating ex- penses.....	36.1	35.2	36.9	8.4	0.8
Operating income.....	19.5	20.0	20.9	3.8	1.0
Interest expense.....	(0.8)	(0.7)	(0.7)	26.4	3.8
Interest income.....	0.8	0.9	1.1	(17.6)	(6.9)
Other income (expense), net.....	0.4	(0.2)	(0.8)	321.9	(74.8)
Income before provision for income taxes.....	19.9	20.0	20.5	5.1	3.5
Provision for income taxes.....	7.0	7.2	7.8	2.1	(2.0)
Net income.....	12.9%	12.8%	12.7%	6.8	6.8

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 an increase as a percentage of net revenues to 29.5% from 28.8%. The increased spending resulted from 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.

1995 Compared to 1994

Net revenues in 1995 increased 5.6% to \$262.4 million from \$248.4 million in 1994. Worldwide disposable sales increased 8.0%, with increases in both the domestic and international markets. This represents 6.7% of the increase in revenues, offset 1.1% by a worldwide equipment sales decrease of 7.3%. Sales of disposable products accounted for approximately 87% and 85%, respectively, of total net revenues in fiscal 1995 and 1994. During the year ended April 1, 1995, the Company discontinued distribution of the SCD system and its disposables wafers. Without the effects of such sales in both years, net revenues increased 8.7% in 1995 from 1994, composed of an increase in worldwide disposables sales of 10.7% and a decrease in worldwide equipment sales of 2.9%.

Gross profit in 1995 increased to \$144.9 million from \$143.6 million in 1994. As a percentage of net revenues, gross profit decreased to 55.2% from 57.8%. Unfavorable results in manufacturing costs and efficiencies resulted in a 1.0% reduction in gross profit. The remaining 1.6% reduction was attributable to worldwide pricing pressure on equipment and the overall product mix of both equipment and disposable sales.

The Company expended \$16.7 million in 1995 (6.4% of net revenues) and \$15.8 million in 1994 (6.3% of net revenues) on research and development. The increase resulted primarily from increased staffing, related personnel costs and use of external resources.

Selling, general and administrative expenses decreased to \$75.7 million in 1995 from \$75.9 million in 1994 and decreased as a percentage of net revenues to 28.8% from 30.6%. Increased staffing, related personnel costs and distribution expenses, primarily in the international markets, were offset by a decrease in various domestic expenses.

Interest expense remained level at \$1.8 million in 1995 and 1994 and as a percentage of net revenues of 0.7% in 1995 and 1994.

Interest income decreased to \$2.5 million in 1995 from \$2.7 million in 1994 resulting primarily from a decrease in the Company's average investment in sales-type leases of its equipment. Other expense net, decreased to \$0.5 million in 1995 from \$2.0 million in 1994, primarily due to reduced net expenses of \$1.6 million on foreign currency hedging expenses.

The provision for income taxes decreased as a percentage of pretax income to approximately 36.0% in 1995 from 38.0% in 1994, due to utilization of tax credits and favorable tax treatment of the Company's Foreign Sales Corporation.

LIQUIDITY AND CAPITAL RESOURCES

The Company historically has satisfied its cash requirements principally from internally generated cash flow, stock offerings and bank borrowings. During the twelve months ended March 30, 1996, the Company generated \$54.8 million in cash flow from operating activities compared to \$15.6 million in cash flow from operating activities for the twelve months ended April 1, 1995. The Company's need for funds is derived primarily from capital expenditures, acquisitions, treasury stock purchases and working capital. Cash used to pay down the Company's revolving credit agreements totaled \$12.8 million for the twelve months ended March 30, 1996. During the twelve months ended March 30, 1996, net cash used for capital expenditures was \$19.7 million related to equipment utilized in the U.S. commercial plasma business and investments in facilities and manufacturing equipment. The Company utilized \$6.2 million to acquire the assets and related liabilities of DHL Laboratories on August 18, 1995. The change in accounts receivable utilized net cash of \$1.9 million. The Company used \$8.9 million to repurchase 514,141 shares of treasury stock during the twelve months ended March 30, 1996. 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 1,492,000 shares available to repurchase by the Company at prevailing prices as market conditions warrant. The Company believes that committed bank lines, combined with internally generated funds, will be sufficient to meet future liquidity and capital needs.

At March 30, 1996, the Company had working capital of \$112.4 million. This reflects an increase of \$4.0 million in working capital for the twelve months ended March 30, 1996.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

HAEMONETICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	MARCH 30, 1996	APRIL 1, 1995
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 13,434	\$ 4,230
Accounts receivable, less allowance of \$984 in 1996 and \$681 in 1995.....	60,326	63,277
Inventories.....	56,729	59,993
Current investment in sales-type leases, net.....	11,020	10,821
Deferred tax asset.....	10,911	10,911
Other prepaid and current assets.....	6,459	8,362
	-----	-----
Total current assets.....	158,879	157,594
PROPERTY, PLANT AND EQUIPMENT:		
Land, building, and building improvements.....	23,156	17,598
Machinery and equipment.....	73,149	67,152
Furniture and fixtures.....	6,599	3,253
Commercial plasma and rental equipment.....	57,920	54,924
	-----	-----
Total property, plant and equipment.....	160,824	142,927
Less: accumulated depreciation.....	74,408	60,868
	-----	-----
Net property, plant and equipment.....	86,416	82,059
OTHER ASSETS:		
Investment in sales-type leases, net.....	21,428	19,192
Distribution rights, net.....	12,418	15,517
Other assets, net.....	8,677	6,147
	-----	-----
Total other assets.....	42,523	40,856
	-----	-----
Total assets.....	\$287,818	\$280,509
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt....	\$ 3,378	\$ 8,325
Accounts payable.....	16,909	15,646
Accrued payroll and related costs.....	8,305	8,328
Accrued income taxes.....	8,345	8,485
Other accrued liabilities.....	9,502	8,351
	-----	-----
Total current liabilities.....	46,439	49,135
DEFERRED INCOME TAXES.....	9,253	13,130
LONG-TERM DEBT, NET OF CURRENT MATURITIES.....	15,156	25,067
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
STOCKHOLDERS' EQUITY:		
Common stock, \$.01 par value; Authorized--80,000,000 shares; Issued--28,770,346 shares in 1996; 28,402,858 shares in 1995.....	288	284
Additional paid-in capital.....	52,355	50,086
Retained earnings.....	182,707	146,824
Cumulative translation adjustment.....	7,387	13,502
	-----	-----
Stockholders' equity before treasury stock.....	242,737	210,696
Less: treasury stock at cost--1,607,354 shares in 1996; 1,133,048 shares in 1995.....	25,767	17,519
	-----	-----
Total stockholders' equity.....	216,970	193,177
	-----	-----
Total liabilities and stockholders' equity.....	\$287,818	\$280,509
	=====	=====

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

HAEMONETICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED		
	MARCH 30, 1996	APRIL 1, 1995	APRIL 2, 1994
Net revenues.....	\$278,216	\$262,416	\$248,449
Cost of goods sold.....	123,603	117,561	104,879
Gross profit.....	154,613	144,855	143,570
Operating expenses:			
Research and development.....	18,467	16,729	15,786
Selling, general and administrative.....	81,775	75,748	75,940
Total operating expenses.....	100,242	92,477	91,726
Operating income.....	54,371	52,378	51,844
Interest expense.....	(2,338)	(1,849)	(1,781)
Interest income.....	2,098	2,547	2,735
Other income (expense), net.....	1,123	(506)	(2,004)
Income before provision for income taxes.....	55,254	52,570	50,794
Provision for income taxes.....	19,329	18,925	19,305
Net income.....	\$ 35,925	\$ 33,645	\$ 31,489
Net income per share.....	\$ 1.30	\$ 1.18	\$ 1.09
Weighted average common and common equivalent shares outstanding.....	27,722	28,443	28,802

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

HAEMONETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	COMMON STOCK		ADDITIONAL	RETAINED	TREASURY	CUMULATIVE	TOTAL
	SHARES	\$'S	PAID-IN CAPITAL	EARNINGS	STOCK	TRANSLATION ADJUSTMENT	STOCKHOLDERS' EQUITY
Balance, April 3, 1993..	28,016	\$ 280	\$46,339	\$ 81,708	\$ (2,061)	\$ 384	\$126,650
Employee stock purchase plan.....	41	--	864	--	--	--	864
Exercise of stock options and related tax benefit.....	158	2	1,471	--	--	--	1,473
Purchase of treasury stock.....	--	--	--	--	(115)	--	(115)
Net income.....	--	--	--	31,489	--	--	31,489
Translation adjustment.....	--	--	--	--	--	415	415
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

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 30, 1996	APRIL 1, 1995	APRIL 2, 1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 35,925	\$ 33,645	\$ 31,489
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	13,143	13,711	10,720
Increase (decrease) in deferred income taxes.....	(3,178)	892	(1,586)
Increase in accounts receivable--net.....	(1,931)	(9,880)	(7,876)
Increase in inventories.....	(188)	(13,474)	(10,636)
Increase in sales-type leases.....	(3,259)	(48)	(2,670)
(Increase) decrease in other assets.....	7,968	(3,166)	1,210
Increase (decrease) in accounts payable, accrued expenses and deferred revenue.....	6,330	(6,052)	6,361
Total adjustments.....	18,885	(18,017)	(4,477)
Net cash provided by operating activities..	54,810	15,628	27,012
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures on property, plant and equipment, net.....	(19,710)	(24,907)	(22,891)
Increase in distribution rights.....	--	(5,195)	(1,333)
DHL asset acquisition.....	(6,189)	--	--
Net cash used in investing activities.....	(25,899)	(30,102)	(24,224)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on long-term real estate mortgage....	(152)	(152)	(124)
Net increase (decrease) in short-term revolving credit agreements.....	(4,022)	2,175	1,459
Net increase (decrease) in long-term revolving credit agreements.....	(8,798)	14,132	(1,712)
Employee stock purchase plan.....	591	747	864
Exercise of stock options and related tax benefit.....	2,273	1,030	1,473
Purchase of treasury stock.....	(8,881)	(15,724)	(115)
Net cash provided by (used in) financing activities.....	(18,989)	2,208	1,845
Effect of exchange rates on cash and cash equivalents.....	(718)	339	1,263
Net Increase (Decrease) in Cash and Cash Equivalents.....	9,204	(11,927)	5,896
Cash and Cash Equivalents at Beginning of year...	4,230	16,157	10,261
Cash and Cash Equivalents at End of year.....	\$ 13,434	\$ 4,230	\$ 16,157
Supplemental disclosures of cash flow information:			
Interest paid.....	\$ 1,791	\$ 1,441	\$ 1,587
Income taxes paid, net of refunds.....	\$ 22,058	\$ 22,583	\$ 15,252

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.

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 1996, fiscal 1995 and fiscal 1994 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.

Foreign Currency

Foreign currency transactions and financial statements are translated into U.S. dollars following the provisions of Statement of Financial Accounting Standards 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 1996, 1995, and 1994 are \$710,000, \$583,000 and \$711,000, 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.

HAEMONETICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

At March 30, 1996 and April 1, 1995, 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 \$144,234,000 and \$157,651,000, respectively. Gross unrealized gains and losses from hedging firm sales commitments, based on current spot rates, were a \$6,964,000 gain and a \$333,000 loss at March 30, 1996 and a \$154,000 gain and a \$8,665,000 loss at April 1, 1995. Deferred gains and losses are recognized in earnings when the future sales are recognized. Management anticipates that these deferred amounts at March 30, 1996 will be offset by the foreign exchange effect on sales of products to international customers in fiscal year 1997.

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

Statement of Financial Accounting Standards No. 107 ("SFAS 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 the Company's financial instruments, including cash and cash equivalents, notes payable and long-term debt, pursuant to SFAS 107 approximated their carrying values at March 30, 1996 and April 1, 1995. 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 fully depreciated, 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.

Inventories

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

Inventories consist of the following:

	MARCH 30, 1996	APRIL 1, 1995

	(IN THOUSANDS)	
Raw materials.....	\$ 6,727	\$ 6,214
Work-in-process.....	6,699	5,186
Finished goods.....	43,303	48,593
	-----	-----
	\$56,729	\$59,993
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

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 Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." SFAS 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.

Accounting for Stock-Based Compensation

In December 1995, the Financial Accounting Standards Board issued Statement of Accounting Standards No. 123 (SFAS No. 123) "Accounting for Stock-Based Compensation," which is to become effective for fiscal years beginning after December 15, 1995. SFAS No. 123 requires that employee stock-based compensation be recorded or disclosed at its fair value. Management expects to continue to account for stock-based compensation under APB No. 25 and does not expect to adopt the new accounting provision for stock-based compensation in SFAS No. 123 but will include the additional required disclosures in their fiscal 1997 consolidated financial statements.

Accounting for Impairment of Long-Lived Assets

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121 (SFAS No. 121), "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of," which is effective for the Company in Fiscal 1997. SFAS No. 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The statement also requires that certain long-lived assets and identifiable intangibles that are to be disposed be reported at the lower of the carrying amount or fair value less cost to sell. The Company has not completed its analysis with respect to the provisions of SFAS No. 121 and, accordingly, has not determined the effect on the Company's consolidated financial condition or results of operations.

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 30, 1996	APRIL 1, 1995

	(IN THOUSANDS)	
Total minimum lease payments receivable.....	\$39,537	\$35,897
Less--Unearned interest.....	7,089	5,884

Net investment in sales-type leases.....	32,448	30,013
Less--Current portion.....	11,020	10,821

	\$21,428	\$19,192
	=====	=====

HAEMONETICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Future minimum lease payments receivable under noncancelable leases as of March 30, 1996 are as follows:

FISCAL YEAR ENDING -----	(IN THOUSANDS)
1997.....	\$13,905
1998.....	11,379
1999.....	7,835
2000.....	4,434
2001 and thereafter.....	1,984

	\$39,537
	=====

4. NOTES PAYABLE AND LONG-TERM DEBT

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

	MARCH 30, 1996	APRIL 1, 1995

	(IN THOUSANDS)	
Real estate mortgage.....	\$ 8,923	\$ 9,075
U.S. borrowings.....	1,080	11,200
Non-U.S. borrowings.....	8,531	13,117
	-----	-----
	18,534	33,392
Less -- Current portion.....	3,378	8,325
	-----	-----
	\$15,156	\$25,067
	=====	=====

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 facilities are under separate financing agreements dated October 1, 1993 and October 15, 1993 (the "Agreements"), amended February 9, 1995 and March 10, 1995, respectively. These facilities are available through September 30, 1996, on which date all borrowings become due. The uncommitted line is under a financing agreement dated February 8, 1995, amended May 8, 1995. The credit line is available through June 30, 1996, on which date all borrowings become due. As of March 30, 1996 this credit line had no funds drawn against it.

Interest on all facilities are at the bank's base rate, or, at the Company's option, may be based on the one year London Interbank Offered Rate or at the bank's money market rate. At March 30, 1996, the interest rate on U.S. borrowings was 5.9% which represents the bank's money market rate.

The Agreements provide for a commitment fee of 0.20% on the unused portion of the revolving credit facility. The Agreements contain 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 are guaranteed by the Company. The long-term borrowings have maturities at various dates through 1998. Interest rates ranged from 1.38% to 13.0% in fiscal 1996 and fiscal 1995.

The weighted average short-term rates for U.S. and Non-U.S. borrowings were 5.47%, 5.69% and 7.48% as of March 30, 1996, April 1, 1995 and April 2, 1994 respectively.

HAEMONETICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

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 30, 1996, notes payable and long-term debt mature as follows:

FISCAL YEARS ENDING -----	(IN THOUSANDS) -----
1997.....	\$ 3,378
1998.....	6,573
1999.....	208
2000.....	230
2001 and thereafter.....	8,145

	\$18,534
	=====

5. INCOME TAXES

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

	YEARS ENDED -----		
	MARCH 30, 1996	APRIL 1, 1995	APRIL 2, 1994
	(IN THOUSANDS) -----		
Domestic.....	\$43,020	\$42,910	\$39,686
Foreign.....	12,234	9,660	11,108
	-----	-----	-----
	\$55,254	\$52,570	\$50,794
	=====	=====	=====

HAEMONETICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The provision for income taxes consists of the following components:

	YEARS ENDED		
	MARCH 30,	APRIL 1,	APRIL 2,
	1996	1995	1994
	(IN THOUSANDS)		
Current			
Federal.....	\$15,543	\$16,229	\$15,304
State.....	2,390	2,447	2,857
Foreign.....	2,303	2,351	2,749
	-----	-----	-----
	20,236	21,027	20,910
	-----	-----	-----
Deferred			
Federal.....	(980)	(1,414)	(1,150)
State.....	(154)	(258)	(212)
Foreign.....	227	(430)	(243)
	-----	-----	-----
	(907)	(2,102)	(1,605)
	-----	-----	-----
	\$19,329	\$18,925	\$19,305
	=====	=====	=====

Included in the federal and state income tax provisions for fiscal years 1996, 1995 and 1994 are approximately \$3,209,000, \$3,321,000 and \$3,089,000, respectively, provided on foreign source income of approximately \$9,169,000 in 1996, \$9,224,000 in 1995 and \$7,942,000 in 1994, taxes on which are payable in the United States.

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

	YEARS ENDED	
	MARCH 30,	APRIL 1,
	1996	1995
	(IN THOUSANDS)	
Depreciation.....	\$(6,345)	\$(8,200)
Amortization.....	(2,908)	(4,929)
Inventory.....	10,148	10,588
Accruals and reserves.....	753	328
Other.....	10	(6)
	-----	-----
Total net deferred taxes.....	\$ 1,658	\$(2,219)
	=====	=====

HAEMONETICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The provision for income taxes differs from the amount computed by applying the statutory U.S. federal income tax rate of 35% in 1996, 1995 and 1994 due to the following:

	YEARS ENDED		
	MARCH 30, 1996	APRIL 1, 1995	APRIL 2, 1994
	(IN THOUSANDS)		
Tax at federal statutory rate.....	\$19,340	\$18,399	\$17,778
Difference due to:			
Foreign sales corporation.....	(1,268)	(1,462)	(1,026)
Difference between U.S. tax rate and tax rates used in other tax jurisdictions.....	1,457	1,768	1,400
State taxes, net of federal income tax benefit..	1,355	1,422	1,719
Foreign tax credits and research and develop- ment.....	(1,310)	(1,335)	(724)
Adjustment of estimated tax liabilities.....			(173)
Other, net.....	(245)	133	331
	\$19,329	\$18,925	\$19,305
	=====	=====	=====

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 30, 1996 are as follows:

FISCAL YEAR ENDING	(IN THOUSANDS)
1997.....	5,440
1998.....	3,579
1999.....	3,324
2000.....	2,868
2001 and thereafter.....	13,709
	\$28,920
	=====

Rent expense in 1996, 1995 and 1994 was \$4,219,000, \$3,713,000, and \$4,217,000, 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 1996 and 1995, the Company repurchased 514,141 shares and 1,005,311 shares, respectively, of its outstanding common stock at average prevailing prices of \$17.24 and \$15.64, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Stock Options

The Company has a long-term incentive plan under which a maximum of 2,278,057 shares of the Company's common stock may be issued pursuant to incentive and or nonqualified 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 nonqualified 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, and incentive options expire not more than ten years from the date of the grant.

The Company also has a nonqualified 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 90,000 shares in aggregate. Options are granted at not less than fair market value on the date of grant.

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 nonqualified 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, and incentive options expire not more than ten years from the date of grant.

A summary of stock option information for the combined plans is as follows:

	PRICE RANGE	NUMBER OF SHARES
	-----	-----
Outstanding at April 3, 1993.....	\$ 5.555-23.875	1,844,002
Granted.....	18.375-24.563	449,428
Exercised.....	5.555-19.406	(157,365)
Terminated.....	5.555-17.625	(24,200)
	-----	-----
Outstanding at April 2, 1994.....	\$ 5.555-24.563	2,111,865
Granted.....	14.438-18.250	466,613
Exercised.....	5.555-13.938	(163,300)
Terminated.....	5.555-24.563	(212,566)
	-----	-----
Outstanding at April 1, 1995.....	\$ 5.555-24.563	2,202,612
Granted.....	15.438-21.875	652,079
Exercised.....	5.555-19.406	(367,488)
Terminated.....	5.555-24.563	(142,992)
	-----	-----
Outstanding at March 30, 1996.....	\$ 5.555-24.563	2,344,211

At March 30, 1996, 714,095 shares were available for future grants. Options exercisable at March 30, 1996 total 895,956, at prices ranging from \$5.555 to \$24.563.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

1991 Employee Stock Purchase Plan

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 1996, there were 39,835 shares purchased at a range of \$14.66 to \$15.09 per share under the Purchase Plan. During 1995, there were 49,708 shares purchased at a range of \$14.66 to \$15.41 per share under the Purchase Plan.

8. DISTRIBUTION AGREEMENTS

In fiscal 1992, the Company acquired the direct distribution rights for its blood component therapy and plasma collection products in Japan from Labo Science Co., Ltd., Tokyo, Japan, at a historical cost of approximately \$7.4 million. The rights are being amortized on a straight-line basis over an estimated useful life of 20 years. Accumulated amortization was \$1,976,000 as of March 30, 1996 and \$1,483,000 as of April 1, 1995. Haemonetics Japan, a wholly owned subsidiary of the Company, will provide all sales, service and marketing for its blood component therapy and plasma collection business in Japan.

In fiscal 1994, the Company signed an agreement with its exclusive Italian distributor, G. Cremascoli Srl, to transition Haemonetics distribution and sales to Haemonetics Italia Srl, a subsidiary of Haemonetics Corporation. Cremascoli purchased a 20% minority interest in the subsidiary, effective March, 1994. The authority to distribute directly was acquired at a cost of approximately \$1.3 million and is being amortized on a straight-line basis over an estimated useful life of 20 years. Accumulated amortization was \$152,000 as of March 30, 1996 and \$84,000 as of April 1, 1995.

In fiscal 1995, the Company acquired the direct distribution rights for its surgical blood salvage products in Japan from Kuraray Co., Ltd. at a historical cost of approximately \$4.6 million. The rights are being amortized on a straight-line basis over an estimated useful life of 20 years. Accumulated amortization was \$349,000 as of March 30, 1996 and \$114,900 as of April 1, 1995. Haemonetics Japan will provide sales, service, and marketing for its surgical products business in Japan.

In fiscal 1995, the Company also acquired the direct distribution rights and created a wholly owned subsidiary in Belgium at a historical cost of approximately \$0.6 million. The rights are being amortized on a straight-line basis over an estimated useful life of 20 years. Accumulated amortization was approximately \$54,000 as of March 30, 1996 and \$22,000 as of April 1, 1995.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

9. 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 contribution amounted to approximately \$616,000, \$565,000 and \$551,000 in 1996, 1995 and 1994, respectively. The Board of Directors declared a discretionary contribution of approximately \$1,100,000 and \$1,940,000 for the Savings Plan years ended March 30, 1996 and April 2, 1994, respectively. No discretionary contribution was made for the Savings Plan year ended April 1, 1995.

The Company has no material obligation for post retirement or post employment benefits.

10. 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 \$916,000 as of March 30, 1996 and \$953,000 as of April 1, 1995 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. The Company amortizes the outstanding loan balance as a charge to operating expense as such amounts are forgiven.

11. 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 1996, 1995 and 1994 is as follows:

	GEOGRAPHIC AREA			CONSOLIDATED
	DOMESTIC	EUROPE & ALL OTHER	FAR EAST & JAPAN	

	(IN THOUSANDS)			
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

Year ended April 2, 1994:				
Net revenues.....	\$101,914	\$ 75,286	\$71,249	\$248,449

Income before provision for income taxes.....	\$ 38,463	\$ 7,184	\$ 5,147	\$ 50,794

Identifiable assets.....	\$155,428	\$ 46,761	\$28,495	\$230,684

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 \$171,410,000 in 1996, which represented 62%

HAEMONETICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

of net revenues; \$158,609,000 in 1995, which represented 60% of net revenues; and \$149,574,000 in 1994, which represented 60% of net revenue.

12. PURCHASE OF MANUFACTURING FACILITY IN SOUTH CAROLINA

On August 18, 1995, the Company acquired the assets of DHL Laboratories of Union South Carolina. DHL Laboratories was a contract pharmaceutical manufacturer specializing in mixing, filling and terminally sterilizing liquid products in flexible packaging. The facility and related property and equipment were acquired at a cost of approximately \$6.2 million.

This facility will be integrated into the U.S. manufacturing organization. Prior to the acquisition, DHL and Haemonetics had initiated work to receive licenses from the FDA for anticoagulant and storage solution used by Haemonetics' U.S. blood bank and plasma center customers. Haemonetics will continue to provide contract manufacturing services while selectively seeking out new opportunities.

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 30, 1996 and April 1, 1995, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 30, 1996. 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 30, 1996 and April 1, 1995, and the results of their operations and their cash flows for each of the three years in the period ended March 30, 1996, 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 the index on page 39 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
April 16, 1996

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 19, 1996.

(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 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. 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 19, 1996.

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 19, 1996.

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
Report of Independent Public Accountants.....	32

Schedules required by Article 12 of Regulation S-X

II Valuation and Qualifying Accounts.....	39
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All other schedules have been omitted because they are not applicable or not required.

(b) Reports on Form 8-K

None

(c) Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index at page 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

/s/ John F. White

By: _____
JOHN F. WHITE, CHAIRMAN, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

May 10, 1996

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 10, 1996
/s/ James L. Peterson ----- JAMES L. PETERSON	Vice Chairman and President, International Operations	May 10, 1996
/s/ Brigid A. Makes ----- BRIGID A. MAKES	Vice President of Finance and Chief Financial Officer, (Principal Financial and Accounting Officer)	May 10, 1996
/s/ John R. Barr ----- JOHN R. BARR	President, North American Operations, Director	May 10, 1996
/s/ Sir Stuart Burgess ----- SIR STUART BURGESS	Director	May 10, 1996
/s/ Yutaka Sakurada ----- YUTAKA SAKURADA	Sr. Vice President Haemonetics Corp. and President, Haemonetics Japan Director	May 10, 1996
/s/ Jerry E. Robertson ----- JERRY E. ROBERTSON	Director	May 10, 1996
/s/ Donna C. E. Williamson ----- DONNA C. E. WILLIAMSON	Director	May 10, 1996

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).

NUMBER AND DESCRIPTION OF EXHIBIT

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- 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* Equipment Lease Agreement dated October 13, 1992 between First Security Bank of Utah and Haemonetics Services Inc. (filed as Exhibit 10T to the Company's Form 10-K No. 1-10730 for the year ended April 3, 1993 and incorporated herein by reference).
 - 10U* 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).
 - 10V* 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).
 - 10W* 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).
 - 10X* Revolving Credit Agreement dated October 1, 1993 between Mellon Bank, N.A. and the Company (filed as Exhibit 10X to the Company's Form 10-K No. 1-10730 for the year ended April 2, 1994 and incorporated herein by reference).
 - 10Y* Revolving Credit Agreement dated October 15, 1993 between The First National Bank of Boston and the Company (filed as Exhibit 10Y to the Company's Form 10-K No. 1-10730 for the year ended April 2, 1994 and incorporated herein by reference).
 - 10Z* 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).

NUMBER AND DESCRIPTION OF EXHIBIT

- 10AA* 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).
- 10AB* 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).
- 10AC* 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).
- 10AD* Amendment No. 1 dated February 9, 1995 to Revolving Credit Agreement dated October 1, 1993 between Mellon Bank, N.A. and the Company (filed as Exhibit 10AD to the Company's form 10-K No. 1-10730 for the year ended April 1, 1995 and incorporated herein by reference).
- 10AE* Amendment No. 1 dated March 10, 1995 to Revolving Credit Agreement dated October 15, 1993 between The First National Bank of Boston and the Company (filed as Exhibit 10AE to the Company's form 10-K No. 1-10730 for the year ended April 1, 1995 and incorporated herein by reference).
- 10AF Asset Purchase Agreement dated as of July 18, 1995 between between the Company and DHL Laboratories, Inc.

11. Statement re: computation of per share earnings

21. Subsidiaries of the Company

23. Consent of the Independent Public Auditors

27. Financial Data Schedule

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* Incorporated by reference.

(ALL OTHER EXHIBITS ARE INAPPLICABLE.)

SCHEDULE II

HAEMONETICS CORPORATION

VALUATION AND QUALIFYING ACCOUNTS
(DOLLARS 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 30, 1996.	\$681	\$321	\$(18)	\$984
For the Year Ended April 1, 1995..	464	222	(5)	681
For the Year Ended April 2, 1994..	307	173	(16)	464

ASSET PURCHASE AGREEMENT

Asset Purchase Agreement (the "Agreement") dated as of July 18, 1995, between Haemonetics Corporation, a Massachusetts corporation ("Buyer"), and DHL Laboratories, Inc., a North Carolina corporation ("Seller").

WHEREAS, Seller owns and operates certain real estate and the improvements thereon and the assets comprising or used in connection therewith in the operation of Seller's business; and

WHEREAS, Buyer desires to acquire from Seller, and Seller desires to sell to Buyer, all of said real estate, improvements and assets as more fully described herein, all upon and subject to the terms and conditions contained herein;

In consideration of the foregoing, the mutual representations, warranties and covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 DEFINITIONS. For the purposes of this Agreement, all capitalized words or expressions used in this Agreement (including the Schedules and Exhibits annexed hereto) shall have the meanings specified in this Article I (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Affiliate" means when used with respect to any Person, (a) if such Person is a corporation, any officer or director thereof and any Person which is, directly or indirectly, the beneficial owner (by itself or as part of any group) of more than five percent (5%) of any class of any equity security thereof, and, if such beneficial owner is a partnership, any general or limited partner thereof, or if such beneficial owner is a corporation, any Person controlling, controlled by or under common control with such beneficial owner, or any officer or director of such beneficial owner or of any corporation occupying any such control relationship, (b) if such Person is a partnership, any general or limited partner thereof, and (c) any other Person which, directly or indirectly, controls or is controlled by or is under common control with such Person. For purposes of this definition, "control" (including the correlative terms "controlling", "controlled by" and "under common control with"), with respect to any Person, shall mean possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Agreement" means this Asset Purchase Agreement (together with all Exhibits and Schedules hereto) as from time to time assigned, supplemented, modified, amended, or restated or as the terms hereof may be waived.

"Assets" shall have the meaning ascribed thereto in Section 2.1 hereof.

"Assumed Liabilities" shall have the meaning ascribed thereto in Section 2.2(a) hereof.

"Business Day" means any day, excluding Saturday, Sunday and any other day on which commercial banks in Boston, Massachusetts are authorized or required by law to close.

"Buyer" means Haemonetics Corporation, a Massachusetts corporation, and its successors and assigns.

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, and the regulations thereunder, and court decisions in respect thereof, all as the same shall be in effect at the time.

"Charter" means the Certificate of Incorporation, Articles of Incorporation or Organization or other organizational document of a corporation, as amended and restated through the date hereof.

"Claim" means an action, suit, proceeding, hearing, investigation, litigation, charge, complaint, claim or demand.

"Code" means the Internal Revenue Code of 1986, and the regulations thereunder, published Internal Revenue Service rulings, and court decisions in respect thereof, all as the same shall be in effect at the time.

"Consulting Agreement" means the Consulting Agreement between Buyer and Seller described in Section 2.7 hereof.

"Environmental Action" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice of non-compliance or violation, investigation, request for information, proceeding, consent order or consent agreement relating in any way to any Environmental Law or any Environmental Permit, including, without limitation, (a) any claim by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any Environmental Law, and (b) any claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials, damage to the environment or alleged injury or threat of injury to human health or safety from pollution or other environmental degradation.

"Environmental Law" means any applicable federal, state or local law, statute, rule, regulation, or ordinance relating to the environment, human health or safety from pollution or other environmental degradation or Hazardous Materials, including, without limitation, CERCLA, the Resource Conservation and Recovery Act, the Hazardous Materials Transportation Act, the Clean Water Act, the Toxic Substances Control Act, the Clean Air Act, the Safe Drinking Water Act, the Atomic Energy Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Occupational Safety and Health Act, and any similar state and local laws or by-laws, the rules, regulations and interpretations thereunder, all as the same shall be in effect from time to time.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, and any similar or successor federal statute, and the rules, regulations and interpretations thereunder, all as the same shall be in effect at the time.

"Financial Statements" shall have the meaning ascribed thereto in Section 3.5 hereof.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"Hazardous Materials" means (a) petroleum or petroleum products, natural or synthetic gas, asbestos, urea formaldehyde foam insulation and radon gas, (b) any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes" "restricted hazardous waters," toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any Environmental Law, and (c) any other substance exposure to which is regulated under any Environmental Law.

"Indebtedness" means all obligations, contingent or otherwise, whether current or long-term, which in accordance with GAAP would be classified upon the obligor's balance sheet as liabilities (other than deferred taxes) and shall also include capitalized leases, guaranties, endorsements (other than for collection in the ordinary course of business) or other arrangements whereby responsibility is assumed for the obligations of others, including any agreement to purchase or otherwise acquire the obligations of others or any agreement, contingent or otherwise, to furnish funds for the purchase of goods, supplies or services for the purpose of payment of the obligations of others.

"IRS" means the Internal Revenue Service and any similar or successor agency of the federal government administering the Code.

"JEDA" means the South Carolina Jobs Economic Development Authority.

"JEDA/Union Loans" means the loans made to Seller by JEDA and the City of Union, South Carolina.

"Lien" means, with respect to any asset, any mortgage, deed of trust, pledge, hypothecation, assignment, security interest, lien, charge, restriction, adverse claim by a third party, title defect or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, any assignment or other conveyance of any right to receive income and any assignment of receivables with recourse against assignor), any filing of any financing statement as debtor under the Uniform Commercial Code or comparable law of any jurisdiction and any agreement to give or make any of the foregoing.

"Material Adverse Effect" means a material adverse impact or effect on (a) the business, operations, assets, liabilities, prospects or condition (financial or otherwise) of Seller, (b) the ability of Seller to perform its obligations hereunder, (c) the validity or enforceability of any of this Agreement or any document or instrument executed in connection therewith, or (d) the rights and remedies of Buyer hereunder.

"Mortgage" means the mortgage or mortgages from Seller, as mortgagor, to the City of Union, South Carolina and to JEDA, respectively as mortgagees, which secure the JEDA/Union Loans and cover the Property.

"Officer's Certificate" means a certificate signed in the name of a corporation by its President, Treasurer or, if so specified, the Clerk or Secretary, acting in his or her official capacity.

"Person" means any individual, firm, partnership, association, trust, corporation, limited liability company, governmental body or other entity.

"PBGC" means the Pension Benefit Guaranty Corporation, and any successor thereto.

"Property" shall mean the land shown on the plan attached hereto as Exhibit A, and all buildings and improvements thereon, including, without limitation, all easements, rights of way, permits and other appurtenances thereto.

"Release" means any release, issuance, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment or into or out of any property, including the movement of Hazardous Materials through or in the air, soil, surface water, ground water, or property other than in compliance with all Environmental Laws.

"Retained Liabilities" shall mean all Indebtedness of Seller, now existing or hereafter arising, which is not specifically assumed by Buyer pursuant to Section 2.2(a), including, without limitation, those set forth in Section 2.2(b).

"Seller" means DHL Laboratories, Inc., a North Carolina corporation, and its successors and assigns.

"Subsidiary" means, with respect to any Person (a) any corporation, association or other entity of which at least a majority in interest of the outstanding capital stock or other equity securities having by the terms thereof voting power under ordinary circumstances to elect a majority of the directors, managers or trustees thereof, irrespective of whether or not at the time capital stock or other equity securities of any other class or classes of such corporation, association or other entity shall have or might have voting power by reason of the happening of any contingency, is at the time, directly or indirectly, owned or controlled by such Person, or (b) any entity (other than a corporation) in which such Person, one or more Subsidiaries of such Person, or such Person and one or more Subsidiaries of such Person, directly or indirectly at the date of determination thereof, has at least majority ownership interest.

"Tax" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

ARTICLE II

PURCHASE AND SALE OF ASSETS

2.1 PURCHASE AND SALE. Upon the terms and subject to the conditions contained in this Agreement, at the Closing (as defined in Section 2.3), Seller shall sell, assign, transfer and deliver to Buyer, and Buyer will accept and purchase from Seller, all of the Assets, free and clear of all Liens. . The term "Assets" shall mean all of the assets owned by Seller or in which Seller has any rights or interests and used by Seller in connection with or related to the ownership, management or operation of its business or the Property as of the Closing Date, whether or not specifically referred to herein, including, without limitation, the following:

- (a) The right to use the name "DHL Laboratories" and all derivatives thereof; provided that Seller may continue its corporate existence so long as it conducts business under the d/b/a LRY Company;
- (b) The Property, including, without limitation, all structures and other improvements of any kind thereon, including all alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and off-site), and parking areas and roadways appurtenant to such buildings, structures and facilities presently or hereafter situated upon or under the Property in which Seller has an interest and all easements, rights of way, permits, and contract rights appurtenant thereto, and all right, title and interest of Seller in and to any award to be made in lieu thereof for any taking subsequent to the date hereof and in and to any award for damage to the Property for any taking made subsequent to the date hereof;
- (c) All inventories of Seller existing on the Closing Date and used or to be used by the Seller in connection with the ownership, management or operation of its business (including, without limitation, products ordered and held for shipment or in transit to or from the Seller) and all supplies used in connection with its business, including, without limitation, at least a reasonable supply of each and every item of consumables used by Seller in the ownership, management or operation of its business (the "Inventories");
- (d) All plant, machinery, leasehold improvements, fixtures, construction in progress, parts, furniture, furnishings, office and computer equipment and other equipment now or hereafter owned by Seller prior to or on the Closing Date, and now or hereafter located in, on or about the Property or used or to be used by Seller in connection with the ownership, operation or management of the Property and its business or related thereto,

including, without limitation, those fixed assets described on Schedule 2.1(d) attached hereto;

- (e) All contracts and contract rights of Seller assumed by Buyer in accordance with Section 5.5;
- (f) Any and all patents and patent applications, trademarks and trademark applications, service marks and service mark applications, trade and product names, copyrights and copyright applications, and including the associated goodwill, the right to sue for and recover such damages and such other relief as might be granted by a court of competent jurisdiction for past infringement thereof, and any operating permits or governmental permits, including, without limitation, from the U.S. Food and Drug Administration, together with any applications therefor, with respect to the business and or operations of Seller;
- (g) Any and all warranties and guaranties made to or in favor of Seller or with respect to its business, any components thereof or the Property;
- (h) All cash, bank balances and accounts, money market accounts, certificates of deposit, marketable securities, accounts and loans receivable, chattel paper, instruments, drafts, acceptances, documents, documents of title, contract rights and prepaid expenses of Seller; and
- (i) All other tangible and intangible assets owned by Seller and used in connection with the ownership or operation of the Property or its business, on the date hereof or on the Closing Date and/or now or hereafter located in, on or about the Property, customer and supplier lists, policy manuals, accounts receivable, records (except the Seller's general ledger, income and franchise tax returns, corporate minute books and stock books), Seller's forms and office supplies, all promotional literature relating to Seller's business, all computer programs and documentation, if any, used in conducting such business, all operating manuals, and the rights to use Seller's telephone numbers and listings pertaining to same.

2.2 CONSIDERATION. (a) Upon the terms and subject to the conditions contained in this Agreement, in reliance upon the representations, warranties and agreements of Seller contained herein, and in consideration of the sale, assignment, transfer and delivery of the Assets, Buyer will (i) pay, by wire transfer of immediately available funds, Six Million Dollars (\$6,000,000) to discharge solely such amount of Seller's Indebtedness to First Union National Bank; (ii) pay by wire transfer of immediately available funds, the amount required to discharge Sellers outstanding Indebtedness to the City of Union, South Carolina and JEDA, and (iii) assume all trade payables of Seller set forth on Schedule 2.2 and all trade payables after the execution

of this Agreement in the ordinary course of business which are under forty five (45) days old (the "Payables") (such payment, assumption of Indebtedness and the Payables hereinafter collectively referred to as the "Assumed Liabilities"). Buyer and Seller shall allocate the sum of the cash purchase price and assume liabilities in a mutually agreeable manner pursuant to the rules and regulations of Section 1060 of the Internal Revenue Code of 1986, as amended. Such allocation will be reflected in Exhibit H attached hereto.

(b) Buyer will not assume or perform any Indebtedness, liabilities or obligations not specifically included within the Assumed Liabilities or which are specifically enumerated in this Section 2.2(b), all of which shall be "Retained Liabilities" and which Seller shall pay or perform when due. Without limiting the generality of the foregoing, Buyer will not assume or perform any of the following Indebtedness, obligations and liabilities, all of which shall be "Retained Liabilities" and which shall remain the sole and exclusive obligations of Seller:

- (i) any Indebtedness, liability or obligation of Seller for federal, state, local or other taxes, assessments or governmental charges incurred by Seller on account of the transactions contemplated by this Agreement;
- (ii) any Indebtedness, liability or obligation of Seller or its shareholders incurred in connection with the making or performance of this Agreement;
- (iii) any Indebtedness, liability or obligation arising in connection with any employee of Seller, whether for severance or termination, in connection with a Plan (as hereinafter defined) or otherwise; or
- (iv) any trade or other payables other than the Payables.

2.3 TIME AND PLACE OF CLOSING. The closing of the transactions described in Sections 2.1 and 2.2 hereof (the "Closing") shall take place at the offices of Smith, Helms, Mulliss & Moore, L.L.P., at 10:00 a.m. on or before August 18, 1995, or at such other place or time as the parties hereto may agree. The date and time at which the Closing actually occurs is hereinafter referred to as the "Closing Date."

2.4 INSTRUMENTS OF TRANSFER AND CONVEYANCE. (a) The conveyance of the Property shall be effected by delivery of a good and sufficient general warranty deed running to Buyer, which general warranty deed shall be substantially in the form of Exhibit B attached hereto (the "Deed") and shall convey to Buyer (i) good and clear, record and marketable fee simple title to the Property, free from all liens and encumbrances of whatever kind, and (ii) full use and undisturbed peaceful possession of the Property.

(b) The sale of all other Assets, as herein provided, shall be effected by delivery by Seller at the Closing of such bills of sale or other instruments of conveyance as Buyer reasonably deems necessary to vest in Buyer good and clear, record and marketable title to the Assets. Such instruments of transfer and conveyance shall be in form reasonably satisfactory to Buyer and shall contain warranties as to marketable title and that the Assets are free and clear of all Liens of any kind whatsoever.

(c) Seller will, from time to time after the Closing Date, upon the request of Buyer, promptly provide all such further documents as may be reasonably necessary or advisable in the opinion of Buyer's counsel to assure or confirm Buyer's good and clear record marketable and insurable title to and interest in, or to enable it to deal with and dispose of, any of the Assets.

(d) At the Closing a certain Agreement dated May 26, 1995 between Buyer and Seller shall be terminated in its entirety (the "Termination"); provided that notwithstanding any language to the contrary in such Agreement, Buyer shall compensate Seller for Seller's actual costs and expenses incurred by Seller prior to the Closing Date in connection with Seller's performance of its obligations under such Agreement.

(e) Subsequent to the Closing, Buyer shall have full control and operation of the Assets with no restrictions of any nature whatsoever imposed by Seller on Buyer's operational autonomy. In connection therewith, Buyer shall have the right, but not the obligation, to hire such employees of Seller as Buyer may, in its sole discretion, desire, for such compensation as Buyer may choose, without any obligation or liability of any nature whatsoever with respect to any aspect of the employment relationship between Seller and such employees.

2.5 ALLOCATION OF PURCHASE PRICE. The purchase price shall be allocated among the Assets in accordance with Schedule 2.5 attached hereto. Seller and Buyer hereby covenant with each other that they shall record the transaction contemplated hereby on their respective books and records, and otherwise act, in accordance with such allocation.

2.6 SELLER'S ABILITY TO CLEAR TITLE. If on the Closing Date for any reason, (i) title to the Assets shall not conform to the provisions of this Agreement; or (ii) any of the conditions precedent specified herein have not been satisfied, then Buyer may at its election, without waiving any of Buyer's other rights hereunder by virtue thereof, at the written request of Buyer, require Seller to use, and Seller shall use, all reasonable efforts to correct and perfect said title, make the Assets conform to the provisions hereof, or satisfy such conditions precedent, as the case may be. Buyer shall give reasonably prompt notice to Seller of any such defect in title, condition or unsatisfied condition upon discovery of the same. Upon such notice given by Buyer, the Closing

Date shall be extended for a reasonable period of time not to exceed thirty (30) days to permit Seller to satisfy such conditions precedent as are unsatisfied as described above. Any such notice to extend, if given, shall indicate a Closing Date which shall afford Seller a reasonable opportunity to cure such defects, make the title to or condition of the Assets conform, or satisfy such condition precedent, as the case may be, as above provided but, in any event, shall not exceed thirty (30) days. If, at the expiration of such extended time, Seller shall have failed to remove such defect, or to make the title conform, or to satisfy such condition precedent, as the case may be, Buyer shall be entitled to its remedies set forth herein.

2.7 CONSULTING AGREEMENT. At the Closing, Buyer and Seller shall execute a Consulting Agreement in form and substance as set forth in Exhibit G attached hereto.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows:

3.1 ORGANIZATION AND QUALIFICATION. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of North Carolina. Seller has full power and authority to own, use and lease its properties and to conduct its business as such properties are owned, used or leased and as such business is currently conducted and as it is proposed to be conducted. The copies of Seller's Charter and By-Laws, as amended to date, certified by its Secretary and delivered to Buyer's counsel prior to the Closing, are true, complete and correct. Except as set forth on Schedule 3.1 attached hereto, Seller is qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which it owns or leases property or maintains inventories or where the conduct of its business would require such qualification.

3.2 AUTHORITY; NO VIOLATION. Seller has all requisite corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. The execution, delivery and performance of this Agreement by Seller have been duly and validly authorized and approved by all necessary corporate action. This Agreement constitutes the legal and binding obligation of Seller, enforceable against it in accordance with its terms. Assuming the accuracy of the representations and warranties of Buyer hereunder, the entering into of this Agreement by Seller does not, and the consummation by Seller of the transactions contemplated hereby, including specifically the transfer of the Assets to Buyer by Seller, will not, violate the provisions of (i) any applicable federal, state, local or foreign laws, (ii) Seller's Charter or By-Laws, or (iii) any provision of, or result in a default or acceleration of any obligation under, or result in any change in the rights or obligations of Seller under, any Lien, contract,

agreement, license, lease, instrument, indenture, order, arbitration award, judgment, or decree to which Seller is a party or by which Seller is bound, or to which any property of Seller is subject.

3.3 OWNERSHIP OF ASSETS. (a) Seller is the fee simple owner of the Property free from all Liens, encumbrances, rights, easements, agreements, encroachments, overlaps, special assessments, claims, leases, tenancies, adverse interests, federal or state taxes, or defects. Seller does not own, lease or have any rights or interest in any real property other than the Property.

(b) Seller is the owner of the Assets other than the Property free from all Liens, rights, agreements, claims, adverse interests, federal or state taxes, or defects, .

(c) Seller enjoys exclusive, peaceful and undisturbed possession under all real and personal property leases to which it is a party. Seller has posted security deposits for the performance of its obligations under such leases as set forth on Schedule 3.3 attached hereto, and there are no claims or charges against such security deposits which have been asserted or, to the best of Seller's knowledge, for which there exists a legal basis for such assertion. With respect to such leases, the consent of only the landlords and those lenders under financing documents identified on Schedule 3.3 are required for Seller to consummate the transactions required by this Agreement and, subject to the receipt of such consents, the same shall not breach, or constitute a default of, such leases.

(d) The Assets constitute all of the assets and properties necessary for the continued operation of the business of Seller.

(e) Seller is in possession of all the permits and applications therefor listed on Schedule 3.3. True and complete copies thereof are included in Schedule 3.3. There are no proceedings pending or threatened, or any basis therefor, which may result in the appeal, revocation, suspension or modification of any such permits or applications therefor.

3.4 SUBSIDIARIES. Seller does not own, directly or indirectly, any securities issued by any other Person except for United States government securities, certificates of deposit, or other cash equivalents and is not a partner or participant in any partnership or joint venture of any kind.

3.5 FINANCIAL STATEMENTS. Attached hereto as Schedule 3.5 are the following financial statements (collectively the "Financial Statements"): (i) unaudited consolidated balance sheets and statements of income, and cash flow as of and for the fiscal years ended November 3, 1991, November 1, 1992, October 31, 1993, and October 30, 1994, for Seller; and (ii) unaudited consolidated balance sheets and statements of income, and cash flow (the "Most Recent Financial Statements") as of

and for the 8 months ended July 2, 1995 for Seller. The Financial Statements (including the notes thereto) have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby, present fairly the financial condition of Seller as of such dates and the results of operations of Seller for such periods, are correct and complete, and are consistent with the books and records of Seller, subject to normal year-end adjustments (which will not be material individually or in the aggregate) and the absence of footnotes and other presentation items.

3.6 ABSENCE OF UNDISCLOSED LIABILITIES. Except as set forth in Schedule 3.6 attached hereto, there are no material liabilities of Seller, whether accrued, absolute, contingent or otherwise (including, without limitation, liabilities as guarantor or otherwise with respect to obligations of any other Person, or liabilities for Taxes due or then accrued or to become due), except for liabilities which have arisen in the ordinary course of business of Seller since the date of the Most Recent Financial Statements. Schedule 3.6 sets forth a true and correct aged list of all accounts payable of Seller as of _____, 19__ .

3.7 ABSENCE OF CERTAIN CHANGES. Except as otherwise disclosed in Schedule 3.7 attached hereto, since July 18, 1995, there has not been:

(a) any change in the business, operations, assets, liabilities, prospects or condition (financial or otherwise) of Seller that, by itself or in conjunction with all other such changes, whether or not arising in the ordinary course of business, has been or is reasonably likely to be materially adverse with respect to Seller (including, by way of example and not of limitation, the loss of any significant distributor, customer or vendor, any announcement of new developments in competitive technology, or the intention on the part of any key employee of Seller to leave Seller's employ);

(b) any obligation or liability incurred by Seller other than obligations and liabilities incurred in the ordinary course of business for an amount not more than \$10,000 in each case or \$25,000 in the aggregate;

(c) any Lien placed on any of the Assets which remains in existence on the date hereof;

(d) any contingent liabilities incurred by Seller with respect to the obligations of any other Person;

(e) any purchase, sale, lease, assignment, transfer or other disposition, or any agreement or other arrangement for the purchase, sale, lease, assignment, transfer or other disposition, of any part of the Assets, other than purchases for and sales from inventory for fair consideration in the ordinary course of business, except for fixed assets purchased or other capital expenditures made in amounts not exceeding \$5,000 for any single item and \$25,000 in the aggregate for all such items;

(f) any damage, destruction or loss, whether or not covered by insurance, adversely affecting the Assets;

(g) any declaration, setting aside or payment of any dividend on, or the making of any other distribution in respect of, any equity security of Seller, or any direct or indirect redemption, purchase or other acquisition by Seller of any of its own equity securities, or any issuance by Seller of any equity security;

(h) any labor trouble or claim of unfair labor practices involving Seller; any change in the employment contracts of or compensation payable or to become payable by Seller to any of its officers, directors, employees, consultants or agents, or any bonus payment or arrangement made to or with any of such officers, directors, employees, consultants or agents; or any change in coverage or benefits available under any Plan (as hereinafter defined);

(i) any change with respect to Seller's senior management;

(j) any payment or discharge of a material Lien or liability of Seller not disclosed on the Financial Statements or incurred in the ordinary course of business;

(k) any obligation or liability incurred by Seller with respect to any loan, advance or commitment to lend by any bank, financial institution or institutional lender to any of the officers, directors, employees, consultants, agents, or stockholders of Seller or to any other Person; or any loans or advances made by Seller to any officers, directors, employees, consultants, agents or stockholders of Seller, except for normal compensation, professional fees and expense allowances payable to officers and directors;

(l) any contracts, licenses, leases or agreements entered into by Seller which are outside the ordinary course of business or which obligate Seller for more than \$5,000 in any one case or more than \$25,000 in the aggregate;

(m) any recapitalization or reorganization;

(n) any amendment or other change (or any authorization to make such an amendment or change) to the Seller's Charter or By-Laws, except as required in connection with the consummation of the transactions contemplated hereby;

(o) any postponement or delay in payment of any accounts payable or other liability of Seller except in the ordinary course of business consistent with prior practices;

(p) any cancellation, waiver, compromise or release of any right or claim either involving more than \$10,000 or outside the ordinary course of business consistent with prior practices;

(q) any cancellation, termination, modification, or acceleration by any party to any contract, license, lease or agreement involving more than \$10,000 to which Seller is a party or by which it is bound; or

(r) any other occurrence, action, failure to act or transaction involving Seller other than transactions in the ordinary course of business consistent with prior practices.

3.8 FDA STATUS. Schedule 3.8 attached hereto contains a full, accurate and complete description of the status of Seller's new drug application for 5% dextrose to the U.S. Food and Drug Administration.

3.9 SUFFICIENCY AND CONDITION OF ASSETS. Seller owns or leases all real, personal, tangible and intangible property and assets necessary for the conduct of its business as such business is presently conducted. All tangible properties and assets owned or leased by Seller are in good operating condition and repair, ordinary wear and tear excepted, have been maintained, and conform with all applicable laws, statutes, ordinances, rules and regulations in all material respects.

3.10 REAL ESTATE.

(a) The Property is the only real property owned by Seller. There are no leases, subleases, licenses, concessions, or other agreements, written or oral, granting to any party or parties the right to use or occupy any portion of the Property. There are no outstanding options or rights of first refusal to purchase the Property, or any portion thereof or interest therein. There is no Person (other than Seller) in possession of the Property. All facilities located on the Property are supplied with utilities and other services necessary for the operation of such facilities, including gas, electricity, water, telephone, sanitary sewer, and storm sewer, all of which services are adequate in accordance with all applicable laws, ordinances, rules, and regulations and are provided via public roads or via permanent, irrevocable, appurtenant easements benefiting the Property. The Property abuts on and has direct vehicular access to a public road, or has access to a public road via a permanent, irrevocable, appurtenant easement benefiting the Property, and access to the Property is provided by paved public right-of-way with adequate curb cuts available.

(b) DHL has no real property, owned, leased or subleased, other than the Property.

3.11 ACCOUNTS RECEIVABLE. All of the accounts receivable of Seller are properly reflected in the Financial Statements are fully collectible in the ordinary course of business, subject to the allowance for doubtful accounts set forth therein, and are valid and enforceable claims, subject to no set-off or counterclaim. Seller has no accounts receivable or loans or notes receivable from any Affiliates or from any of its officers, directors, consultants, employees, agents or stockholders.

3.12 INVENTORIES.

(a) Except as disclosed in Schedule 3.12 attached hereto (i) the Inventories are properly reflected in the Most Recent Financial Statements and are of a quality and quantity saleable in the ordinary course of business of Seller at prevailing market prices, and (ii) the values of the Inventories stated in the Financial Statements reflect Seller's normal inventory valuation policies and were determined in accordance with GAAP consistently applied.

(b) As of the date hereof, purchase commitments for raw materials and parts for Seller are not, individually or in the aggregate, in excess of normal requirements and none of such commitments are at prices materially in excess of current market prices. Sales commitments for finished goods are all at prices in excess of prices used in valuing inventory items or of estimated costs of manufacture of items not in inventory after allowing for selling expenses and a normal profit margin.

3.13 INTELLECTUAL PROPERTY. All patents, patent applications, registered copyrights, trade names, registered trademarks and trademark applications which are owned by or licensed to Seller are listed in Schedule 3.13 attached hereto, which indicates with respect to each the nature of Seller's interest therein and the expiration date thereof or the date on which Seller's interest therein terminates. All of Seller's patents and registered trademarks have been duly registered in, filed in or issued by the United States Patent Office or the corresponding offices of other countries identified in Schedule 3.13, and have been properly maintained and renewed in accordance with all applicable laws and regulations in the United States and each such country. Except as set forth in Schedule 3.13, use of said patents, patent applications, registered copyrights, trade names, registered trademarks or trademark applications owned by Seller does not require the consent of any other Person and the same are freely transferable (except as otherwise provided by law) and are owned exclusively by Seller free and clear of any Liens. Except as set forth in Schedule 3.13, (i) no other Person has an interest in or right or license to use, or the right to license any other Person to use, any of said patents, patent applications, registered copyrights, trade names, registered trademarks or trademark applications, (ii) there are no claims or demands of any other Person pertaining thereto and no proceedings have been instituted, or are pending or, to the knowledge of Seller, threatened, which challenge Seller's rights in respect thereof, (iii) none of the patents, copyrights, trade names or trademarks listed in Schedule 3.13 is being infringed by another Person or is subject to any outstanding

order, decree, ruling, charge, injunction, judgment or stipulation, (iv) no Claim has been made or is threatened charging Seller with infringement of any adversely held patent, trade name, trademark or copyright, and (v) there does not exist (a) any unexpired patent with claims which are or would be infringed by products of Seller or by apparatus, methods or designs employed by it in manufacturing such products or (b) any patent or application therefor or invention which would materially adversely affect Seller's ability to manufacture, use or sell any such product, apparatus, method or design.

3.14 TRADE SECRETS AND CUSTOMER LISTS. Seller has the right to use, free and clear of any Claims or rights of any other Person, all trade secrets, customer lists, manufacturing and secret processes and know-how (if any) required for or used in the manufacture or marketing of all products being sold, manufactured, or under development by it, including products licensed from other Persons. Any payments required to be made by Seller for the use of such trade secrets, customer lists, manufacturing and secret processes and know-how are described in Schedule 3.14 attached hereto. Seller is not in any way making an unlawful or wrongful use of any confidential information, know-how, or trade secrets of any other Person, including, without limitation, any former employer of any present or past employee of Seller. Except as described on Schedule 3.14, Seller or any officer, director or employee of Seller is not a party to any non-competition or confidentiality agreement with any Person other than Seller.

3.15 CONTRACTS. Except for contracts, commitments, leases, licenses, plans and agreements described in Schedule 3.15 attached hereto, Seller is not a party to or subject to:

(a) any plan or contract regarding or providing for bonuses, pensions, options, stock purchases, deferred compensation, severance benefits retirement payments, profit sharing, stock appreciation, collective bargaining or the like, or any contract or agreement with any labor union;

(b) any employment or consulting contract or contract for personal services not terminable at will by Seller without penalty to Seller;

(c) any contract or agreement for the purchase of any commodity, product, material, supplies, equipment or other personal property, or for the receipt of any service, other than purchase orders entered into in the ordinary course of business for less than \$5,000 each and which in the aggregate do not exceed \$25,000;

(d) any contract or agreement for the purchase or lease of any fixed asset, whether or not such purchase or lease is in the ordinary course of business, for a price in excess of \$5,000;

(e) any contract or agreement for the sale of any commodity, product, material, equipment, or other personal property, or the furnishing by Seller of any service, other than contracts with customers entered into in the ordinary course of business;

(f) any contract or agreement providing for the purchase of all or substantially all of its requirements of a particular product from a supplier, or for periodic minimum purchases of a particular product from a supplier;

(g) any contract or agreement with any sales agent, distributor or OEM (original equipment manufacturer) of products of Seller;

(h) any contract or agreement concerning a partnership or joint venture with one or more Persons;

(i) any confidentiality agreement or any non-competition agreement or other contract or agreement containing covenants limiting Seller's freedom to compete in any line of business or in any location or with any Person;

(j) any license agreement (as licensor or licensee);

(k) any contract or agreement with any present or former officer, director, consultant, agent or stockholder of Seller;

(l) any loan agreement, indenture, note, bond, debenture or any other document or agreement evidencing a capitalized lease obligation or Indebtedness to any Person;

(m) any agreement of guaranty, indemnification, or other similar commitment with respect to the obligations or liabilities of any other Person (other than lawful indemnification provisions contained in the Charter and By-Laws of Seller);

(n) any agreement under which the consequences of a default or termination could have a Material Adverse Effect; or

(o) any other agreement or contract (or group or related agreements or contracts) the performance of which involves consideration paid or received by Seller in excess of \$10,000.

Copies of all such contracts, commitments, plans, leases, licenses and agreements have been provided to Buyer prior to the execution of this Agreement, and all such copies are true, correct and complete and have been subject to no amendment, extension or other modification as of the date hereof, except such as are described in Schedule 3.15. Except as listed and described in Schedule 3.15, neither

Seller nor any other Person is in default under any such contract, commitment, plan, lease, license or agreement described in Schedule 3.15 (a "default" being defined for purposes hereof as an actual default or event of default or the existence of any fact or circumstance which would, upon receipt of notice or passage of time, constitute a default).

3.16 CUSTOMERS AND SUPPLIERS. Schedule 3.16 attached hereto sets forth the twenty (20) largest suppliers and customers of Seller in the calendar year 1994 (the "Large Suppliers and Customers"). Except as reflected in Schedule 3.16, no supplier is a material sole source of supply to Seller. The relationships of Seller with its suppliers and customers are good commercial working relationships and, except as set forth on Schedule 3.16, neither (i) any of the Large Suppliers and Customers, nor (ii) any supplier who at any time during 1994 or 1995 was or is the sole source of supply of any item, has cancelled or otherwise terminated, or threatened to cancel or otherwise terminate, its relationship with Seller or has during the last twelve (12) months decreased materially or threatened to decrease or limit materially, its services, supplies or materials to Seller or its usage or purchase of the services or products of Seller. Seller has no knowledge that any of the Large Suppliers and Customers intends to cancel or otherwise adversely modify its relationship with Seller or to decrease materially or limit its services, supplies or materials to Seller or its usage or purchase of the services or products of Seller, and the acquisition of the Assets by Buyer will not, to the knowledge of Seller, adversely affect the relationship of Seller with any of the Large Suppliers and Customers.

3.17 COMPLIANCE WITH LAWS.

(a) Seller has all licenses, permits, franchises, orders, approvals, accreditations, written waivers and other authorizations as are necessary in order to enable it to own and conduct its business as currently conducted and to occupy and use its real and personal properties without incurring any material liability. No registration, filing, application, notice, transfer, consent, approval, order, qualification, waiver or other action of any kind is required by virtue of the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby to avoid the loss of any rights pertaining to any such license, permit, franchise, order, approval, accreditation, waiver or authorization. Seller is in full compliance with the terms and conditions of all such licenses, permits, franchises, orders, approvals, accreditations, waivers and authorizations.

(b) Seller has conducted and is conducting its business in compliance with applicable federal, state, local or foreign laws, statutes, ordinances, regulations, rules or orders or other requirements of any governmental, regulatory or administrative agency or authority or court or other tribunal relating to it (including, but not limited to, any law, statute, ordinance, regulation, rule, order or requirement relating to securities, properties, business, products, advertising, sales or employment practices, immigration,

terms and conditions of employment, wages and hours, safety, occupational safety, health or welfare conditions relating to premises occupied, product safety and liability or civil rights). Seller is not now charged with, and to the knowledge of Seller, is not now under investigation with respect to, any possible violation of any applicable law, statute, ordinance, regulation, rule, order or requirement relating to any of the foregoing in connection with the business of Seller, and Seller has filed all material reports required to be filed with any governmental, regulatory or administrative agency or authority. Seller shall promptly inform Buyer of any notice relating to the foregoing received after the date hereof and on or prior to the Closing Date.

3.18 TAXES.

(a) Seller has filed all Tax Returns that it was required to file. All such Tax Returns were correct and complete in all respects. All Taxes owed by Seller have been paid (whether or not shown on any Tax Return). Seller currently is not the beneficiary of any extension of time within which to file any Tax Return. No Claim has ever been made by an authority in a jurisdiction where Seller does not file Tax Returns that it is or may be subject to the imposition of any Tax by that jurisdiction. There are no Liens on any of the Assets that arose in connection with any failure (or alleged failure) to pay any Tax.

(b) Seller has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, consultant, independent contractor, creditor, stockholder, or other third party.

(c) Seller does not expect any authority to assess any additional Taxes for any period for which Tax Returns have been filed. Seller is not aware of any dispute or Claim concerning any liability for Taxes of Seller. Schedule 3.18 attached hereto lists all federal, state, local, and foreign income Tax Returns filed with respect to Seller for taxable periods ended on or after _____, 19 , indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of audit. Seller has delivered to Buyer correct and complete copies of all federal income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by Seller since _____, 19 .

(d) Seller has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(e) Seller has not filed a consent under Section 341(f) of the Code concerning collapsible corporations. Seller has not made or is not obligated to make any payments or is not a party to any agreement that under certain circumstances could obligate it to make any payments that will not be deductible under Section 280G of the Code or that are subject to an excise tax under Section 4999 of the Code. Seller has not been a United States real property holding corporation within the meaning of

Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code. Seller is not a party to any Tax allocation or sharing agreement. Seller (i) has not been a member of an Affiliated Group (as defined by Section 1504 of the Code) filing a consolidated federal income Tax Return, and (ii) has no liability for the Taxes of any Person (other than Seller) under Treas. Reg. 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor by contract or otherwise.

(f) The unpaid Taxes of Seller (i) did not, as of the date of the Most Recent Financial Statements, exceed the reserve for Tax Liabilities (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the Most Recent Financial Statements (rather than in any notes thereto), and (ii) do not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of Seller in filing its Tax Returns.

3.19 EMPLOYEE BENEFIT PLANS. Seller is in full compliance with the provisions of, and any legal requirements relating to, any (a) "Employee Pension Benefit Plan" (as such term is defined in Section 3(2) of ERISA) which is not a Multiemployer Plan; (b) "Multiemployer Plan" (as such term is defined in Section 3(37) or 4001(a)(3) of ERISA); (c) "Employee Welfare Benefit Plan" (as such term is defined in Section 3(3) of ERISA); and (d) stock purchase, option or bonus plan, deferred compensation, severance pay, incentive, vacation, sick pay or leave, fringe benefit plan, policy or arrangement or payroll practice; which is, or was within five (5) years prior to the Closing Date, maintained or contributed to by Seller or under which Seller has any liability or contingent liability (individually a "Plan" and collectively, the "Plans").

3.20 ENVIRONMENTAL MATTERS.

(a) Except as disclosed in Schedule 3.20 attached hereto, the use and operation by Seller and, to the knowledge of Seller, by all past owners and operators, of all facilities and properties used in the business of Seller have been, and will be on the Closing Date, in compliance with all Environmental Laws, and no Environmental Action has been filed, commenced, or, to the knowledge of Seller, threatened with or against any of them alleging any failure so to comply.

(b) Seller has received all Environmental Permits required to allow it to conduct its operations and businesses, such Environmental Permits are valid and in effect, and Seller is in compliance with such Environmental Permits.

(c) Except as disclosed in Schedule 3.20, Seller has never sent or arranged for the transportation of Hazardous Materials to a site, or owned or operated a site, which, pursuant to CERCLA or any similar state law, has been placed or is proposed (by the United States Environmental Protection Agency ("EPA") or similar state authority) to be placed, on the "National Priorities List," as in effect as of the Closing Date, of hazardous waste sites or any similar state list.

(d) Except as disclosed in Schedule 3.20, Seller has not received notice from any Person, (i) that it has been identified by the EPA or similar state authority as a potentially responsible party under CERCLA with respect to a site listed on the "National Priorities List," as in effect as of the Closing Date, of hazardous waste sites or any similar state list; (ii) that any Hazardous Materials which Seller has generated, transported, or disposed of has been found at any site at which a Person has conducted or has ordered that Seller conduct a remedial investigation, removal, or other response action pursuant to any Environmental Law; or (iii) that Seller is or shall be a named party to any Environmental Action arising out of any Person's incurrence of costs, expenses, losses, or damages of any kind whatsoever in connection with the release of Hazardous Materials.

(e) Except as disclosed in Schedule 3.20, there are no underground fuel or other storage tanks located on the Property. All such tanks disclosed in Schedule 3.20, together with all appurtenant piping, valve, and related facilities, are, except as disclosed in Schedule 3.20, structurally sound, are not currently, and, to Seller's knowledge, have not in the past been leaking or releasing their contents into the soil or groundwater, and are in compliance with all applicable registration, testing, monitoring, containment, and corrosion protection requirements.

(f) Except as disclosed in Schedule 3.20, there have been no unpermitted Releases or threatened Releases in the Property that are or at any time were reasonably likely to occur of Hazardous Materials on, upon, into, or from the Assets; and, to the knowledge of Seller, there have been no Releases on, upon, from, or into any real property in the vicinity of Assets which, through the soil, groundwater, or surface water, may have come to be located on, upon, or under such Assets.

(g) Without in any way limiting the generality of the foregoing, there is, to the knowledge of Seller, no asbestos contained in or forming part of any building, building component, structure, or office space owned or leased by Seller; and, to the knowledge of Seller, no polychlorinated biphenyls (PCBs) are used or stored at any property owned or leased by Seller. To Seller's knowledge, all properties and equipment used in the business of Seller have been free of methylene chloride, trichloroethylene, 1, 2 - transdichloroethylene, dioxins, dibenzofurans, and Extremely Hazardous Substances, as such term is defined in Section 302 of the Emergency Planning and Community Right-to-Know Act of 1986, as amended.

(h) None of the Assets is or shall be subject to any applicable environmental clean-up responsibility law or environmental restrictive transfer law or regulation, solely by virtue of the transactions set forth herein and contemplated hereby.

3.21 EMPLOYEES. Seller is not a party to, and none of its employees are subject to, any collective bargaining agreement or other union contract. Seller is in compliance in all material respects with applicable federal, state and local laws affecting employment and employment practices, including terms and conditions of employment and wages and hours, and there are, and have been during the past five (5) years, no complaints against Seller pending or, to the knowledge of Seller, threatened before the National Labor Relations Board or any similar state or local agency.

3.22 LITIGATION. Except as disclosed on Schedule 3.22 attached hereto, (a) there is no Claim pending or, to the knowledge of Seller, threatened (or, to the knowledge of Seller, any facts which could lead to such a claim) by, against, affecting or regarding Seller or its business or the Assets, at law or in equity, before any federal, state, local or foreign court or any other governmental or administrative agency or tribunal or any arbitrator or arbitration panel, and (b) there are no judgments, orders, rulings, charges, decrees, injunctions, notices of violation or other mandates against or affecting Seller with respect to its business or the Assets. Nothing listed on Schedule 3.22, either individually or when aggregated with other listings on such Schedule, would reasonably be expected to have a Material Adverse Effect.

3.23 INSURANCE. Schedule 3.23 attached hereto sets forth a summary of all insurance policies (including policies providing property, casualty, liability, and workers' compensation coverage, benefits or coverage for any Plan and bond and surety arrangements) to which Seller has been a party, a named insured, or otherwise the beneficiary of coverage at any time within the past three (3) years and specifies the insurer, the amount of coverage, type of insurance, expiration date, and any retroactive premium adjustments or other loss sharing arrangements. With respect to each such insurance policy (a) the policy is legal, valid, binding, enforceable, and in full force and effect; (b) Seller is not in breach or default (including with respect to the payment of premiums or the giving of notices), and no event has occurred which, with notice or the lapse of time, would constitute such a breach or default, or permit termination, modification, or acceleration under the policy; and (c) no party to the policy has repudiated any provision thereof.

3.24 PRODUCTS. Each product manufactured, sold, leased, distributed or delivered by Seller ("Products") has been in conformity with all applicable contractual commitments and all applicable express and implied service and product warranties. Except as disclosed in Schedule 3.24 attached hereto, (a) there are no existing or, to the knowledge of Seller, threatened Claims against Seller for services or merchandise which are defective or fail to meet any express or implied service or product warranties,

or any facts which, if discovered by a third party, would support such a Claim; and (b) no Claim has been asserted against Seller for renegotiation or price redetermination with respect to any transaction, and, to Seller's knowledge, there are no facts upon which any such Claim could be based. Except as set forth on Schedule 3.24, there are no statements, citations or decisions by any governmental or regulatory body or agency that any Product is defective or fails to meet any standards promulgated by any such governmental or regulatory body or agency. Except as set forth on Schedule 3.24, there have been no recalls ordered by any such governmental or regulatory body or agency with respect to any Product.

3.25 POWERS OF ATTORNEY. Seller has not granted any outstanding power of attorney.

3.26 BROKERS. Except as disclosed in Schedule 3.26 attached hereto, Seller or anyone acting on its behalf has not engaged, retained, or incurred any liability to any broker, investment banker, finder or agent or has agreed to pay any brokerage fees, commissions, finder's fees or other fees with respect to this Agreement or the transactions contemplated hereby.

3.27 BURDENSOME AGREEMENTS. Seller is not subject to or bound by any agreement, judgment, decree or order which does or may in the future reasonably be expected to result in a Material Adverse Effect.

3.28 Transactions with Interested Persons. Except as set forth on Schedule 3.28 attached hereto, no officer, supervisory employee or director of Seller owns directly or indirectly, either individually or jointly, any material interest in, or serves as an officer or director of, any customer, competitor or supplier of Seller, or any organization which has a material contract or arrangement with Seller.

3.29 COPIES OF DOCUMENTS. Seller has made available for inspection and copying by Buyer and its counsel true and correct copies of all documents referred to in this Article III or in the Schedules delivered to Buyer pursuant to this Agreement.

3.30 DISCLOSURE OF MATERIAL INFORMATION. Neither this Agreement (including the Schedules and Exhibits hereto) nor any document, certificate or instrument furnished in connection therewith contains, with respect to Seller, any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. There is no fact known to Seller which has or would reasonably be expected in the future to result in a Material Adverse Effect and which has not been set forth in this Agreement. Seller has reported to Buyer any and all indications of which it is aware of potential material adverse factors in Seller's business, such as (by way of example, not of limitation) loss of a distributor, vendor or customer, new announcements in competitive technology, intentions of key employees to resign or leave Seller or any other adverse factor taking place prior to the date of this Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as follows:

4.1 ORGANIZATION AND QUALIFICATION. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts, with full power and authority to own, use or lease its properties and to conduct its business as such properties are owned, used or leased and as such business is conducted.

4.2 AUTHORITY. Buyer has the requisite corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. The execution, delivery and performance of this Agreement by Buyer have been duly and validly authorized and approved by all necessary corporate action on the part of Buyer, and this Agreement constitutes the legal and binding obligation of Buyer, enforceable against Buyer in accordance with its terms. Assuming the accuracy of the representations and warranties of Seller hereunder and to the best knowledge of Buyer, the entering into of this Agreement by Buyer does not, and the consummation by Buyer of the transactions contemplated hereby will not, violate the provisions of (i) any applicable laws of the United States or any other state or jurisdiction in which Buyer does business, (ii) the Charter or By-Laws of Buyer, or (iii) any provision of, or result in a default or acceleration of any obligation under, or result in any change in the rights or obligations of Buyer under, any mortgage, Lien, lease, agreement, contract, instrument, order, arbitration award, judgment, or decree to which Buyer is a party or by which Buyer is bound, or to which any property of Buyer is subject.

4.3 BROKERS. Neither Buyer nor anyone acting on its behalf has engaged, retained or incurred any liability to any broker, investment banker, finder or agent or has agreed to pay any brokerage fees, commissions, finder's fees or other fees with respect to this Agreement or the transactions contemplated hereby.

ARTICLE V

COVENANTS

The parties hereto agree to the following covenants:

5.1 COVENANTS OF SELLER. Seller hereby agrees with Buyer to keep, perform and fully discharge the following covenants and agreements:

(a) Interim Conduct of Business. From the date hereof until the Closing, Seller shall operate its business as a going concern consistent with prior practice and in the ordinary course of business (except as may be authorized pursuant to this Agreement or as set forth on Schedule 5.1(a) hereto). Without limiting the generality of the foregoing, from the date hereof until the Closing, except for transactions contemplated by this Agreement or expressly approved in writing by Buyer, Seller shall not:

(i) enter into or amend any employment, bonus, severance or retirement contract or arrangement, or increase any salary or other form of compensation payable or to become payable to any executive or employee other than in the ordinary course of business consistent with prior practice;

(ii) purchase, lease or otherwise acquire any real estate or any interest therein;

(iii) declare, set aside or pay any dividend or make any other distribution with respect to any equity security;

(iv) merge or consolidate with or agree to merge or consolidate with, or purchase or agree to purchase all or substantially all of the assets of, acquire securities of or otherwise acquire any Person;

(v) sell, lease or otherwise dispose of or agree to sell, lease or otherwise dispose of any of its assets, properties, rights or claims, whether tangible or intangible, except in the ordinary course of business consistent with prior practice;

(vi) authorize for issuance, issue, sell or deliver any of its own equity securities;

(vii) split, combine or reclassify any class of equity security or redeem or otherwise acquire, directly or indirectly, any of its equity securities;

(viii) incur any liability, guaranty or obligation (fixed or contingent) other than in the ordinary course of business consistent with prior practice;

(ix) place or permit to be placed any Lien on any Assets, other than statutory Liens arising in the ordinary course of business;

(x) make or authorize any amendments or changes to its Charter or By-Laws;

(xi) make any investment in excess of \$5,000, whether singly or in the aggregate, in property, plant and equipment and other items of capital expenditure;

(xii) accelerate receivables or delay or postpone payment of any accounts payable or other liability, except in the ordinary course of business consistent with prior practice; or

(xiii) abandon any part of its business.

(b) Access. Seller shall, upon reasonable notice, give Buyer and its representatives full and free access to all properties, assets, books, contracts, commitments and records of Seller during reasonable business hours and shall promptly furnish Buyer with all financial and operating data and other information as to the history, ownership, business, operations, properties, assets, liabilities, or condition (financial or otherwise) of Seller as Buyer may from time to time reasonably request.

(c) Satisfaction of Conditions. Seller shall use its best efforts to accomplish the satisfaction of the conditions precedent to Closing contained in Section 6.1 hereof on or prior to the Closing Date.

(d) No Solicitation, Confidentiality, Etc. Prior to the termination of this Agreement pursuant to Article VII hereof, Seller will not (i) solicit or negotiate with respect to any inquiries or proposals relating to (x) the possible direct or indirect acquisition of any equity security of Seller or of all or a portion of the assets or business of Seller, or (y) any merger, consolidation, joint venture or business combination with Seller, or (ii) discuss or disclose either this Agreement or other confidential information pertaining to Seller with or to any Person (except as may be required by law or except as may be required in connection with the transactions contemplated by this Agreement to Affiliates, officers, directors, employees and agents of Seller) without the prior written approval of Buyer.

(e) Accuracy of Representations and Warranties. Without the prior written consent of Buyer, Seller will not take any action from the date hereof to the Closing Date that would cause any representation or warranty of Seller contained in this Agreement to become untrue or cause the breach of any agreement hereof or covenant contained herein. Seller will promptly bring to the attention of Buyer any facts which come to Seller's attention that would cause any of the representations and warranties of Seller to be untrue or materially misleading in any respect.

(f) Tax Matters. (i) Seller shall be responsible for and shall cause to be prepared and duly filed all Tax Returns relating to Taxes of Seller for all taxable periods ending on or before the Closing Date. Seller shall be responsible for and shall indemnify and hold harmless Buyer with respect to all Taxes to which such Tax Returns relate for all taxable periods covered by such Tax Returns. (ii) Seller shall be responsible for and cause to be prepared and duly filed all Tax Returns relating to Taxes of Seller for any taxable period which includes and ends after the Closing Date (the "Stub Period"). Seller shall be responsible for and shall indemnify and hold harmless Buyer with respect to all Taxes with respect to Seller for the Stub Period.

(g) Disclosure Supplements. From time to time prior to the Closing, Seller will supplement or amend the Schedules hereto with respect to any matter hereafter arising which, if existing or occurring at or prior to the date of this Agreement, would have been required to be set forth or described in any such Schedule or which is necessary to complete or correct any information in any such Schedule or in any representation or warranty of Seller which has been rendered inaccurate thereby. For purposes of determining the satisfaction of the conditions set forth in Section 6.1 hereof, such supplement or amendment shall be given effect, provided that if any such supplement or amendment would have a Material Adverse Effect, Buyer shall have the right to terminate this Agreement.

5.2 COVENANTS OF BUYER. Buyer hereby agrees with Seller to keep, perform and fully discharge the following covenants and agreements:

(a) Confidentiality. Buyer shall hold, and cause its officers, directors, employees, consultants, agents and stockholders to hold, all information heretofore or hereafter obtained from Seller or its advisers in strict confidence and use the information so obtained only for the purpose of evaluating the purchase of the Assets; provided, however, that Buyer shall also be entitled to share such information with any adviser to Buyer, so long as such adviser is subject to the same confidentiality requirements as Buyer. Buyer shall promptly return all such information to Seller if the Closing is not consummated as contemplated hereby.

(b) Satisfaction of Conditions. Buyer will use its best efforts to accomplish the satisfaction of the conditions precedent to Closing contained in Section 6.2 hereof on or prior to the Closing Date.

5.3 RISK OF LOSS; CONDEMNATION. The risk of loss, destruction, condemnation, eminent domain taking or damage to any component of the Property and all other Assets by any cause prior to the Closing is assumed by Seller, and Seller shall maintain in full force and effect through such date the scope and levels of insurance coverage currently in effect thereon. Seller shall immediately notify Buyer if, prior to, or at, the Closing, there shall have been any loss, destruction or damage to, or any commenced or threatened proceedings to condemn or institute eminent domain taking of, all or a portion of the Property or any other of the Assets.

5.4 CASUALTY LOSSES. If any material casualty loss, destruction or damage should occur to the Property, Seller shall restore or repair the Property to its current condition, all expenses for which shall be paid by Seller on or before the Closing Date to the extent they exceed available insurance proceeds actually received by Seller. If Seller is unable or unwilling so to restore or repair the Property prior to the Closing, Buyer may at its option elect to consummate the transactions contemplated hereby with the Property in its then condition, in which event Seller will assign all available insurance proceeds to Buyer or if a holder of a mortgage or security interest on the Property shall not permit Seller to assign all insurance proceeds to Buyer, Seller will give to Buyer a credit against the purchase price equal to amounts recovered or recoverable under the terms of the insurance policy less any amounts reasonably expended by Seller for any partial restoration; notwithstanding the foregoing, Buyer may elect to terminate this Agreement in accordance with the terms hereof. For purposes of this Section 5.4, the term "material" shall mean that such restoration or repair will be expected to cost in excess of \$5,000 in the aggregate.

5.5 ASSUMPTION OF CONTRACTS. On or prior to the date which is five (5) Business Days from the date Buyer receives complete information with respect to Schedules 3.7, 3.10 and 3.15, Buyer shall notify Seller in writing of which of the agreements listed on Schedules 3.7, 3.10 and 3.15, if any, Buyer desires to assume as part of the consummation of the transactions contemplated herein. Seller shall transfer all of its right, title and interest in, to and under all of such agreements to Buyer at the Closing. Failure of Buyer so to notify Seller within such period shall mean Buyer shall not assume any of such agreements.

ARTICLE VI

CLOSING CONDITIONS

6.1 CONDITIONS TO OBLIGATIONS OF BUYER. The obligations of Buyer to consummate this Agreement and the transactions contemplated hereby are subject to the fulfillment, prior to or at the Closing, of the following conditions precedent:

(a) Representations, Warranties and Covenants. Each of the representations and warranties of Seller contained in this Agreement shall remain true and correct at the Closing Date as fully as if made on the Closing Date; Seller shall have performed, on or before the Closing Date, all of its obligations under this Agreement and the other documents executed in connection herewith which by the terms thereof are to be performed on or before the Closing Date; and Seller shall have delivered to Buyer an Officer's Certificate dated the Closing Date of Seller to such effect.

(b) No Pending Action. No legislation, order, rule, ruling or regulation shall have been proposed, enacted or made by or on behalf of any governmental body, department or agency, and no legislation shall have been introduced in either House of Congress or in the legislature of any state, and no investigation by any governmental authority shall have been commenced or threatened, and no action, suit, investigation or proceeding shall have been commenced before, and no decision shall have been rendered by, any court or other governmental authority or arbitrator, which, in any such case, in the reasonable judgment of Buyer could adversely affect, restrain, prevent or rescind the transactions contemplated by this Agreement (including, without limitation, the purchase and sale of the Assets) or result in a Material Adverse Effect.

(c) Purchase Permitted by Applicable Laws; Legal Investment. Buyer's purchase of and payment for the Assets (a) shall not be prohibited by any applicable law or governmental order, rule, ruling, regulation, release or interpretation, (b) shall not subject Buyer to any penalty, Tax, liability or, in Buyer's reasonable judgment, any other onerous condition under or pursuant to any applicable law, statute, ordinance, regulation or rule, (c) shall not constitute a fraudulent or voidable conveyance under any applicable law, and (d) shall be permitted by all applicable laws, statutes, ordinances, regulations and rules of the jurisdictions or regulatory agencies to which Buyer is subject.

(d) Proceedings Satisfactory. All proceedings taken in connection with the purchase and sale of the Assets and all documents and papers relating thereto shall be in form and substance reasonably satisfactory to Buyer. Buyer and its counsel shall have received copies of such documents and papers as Buyer or its counsel may reasonably request in connection therewith, all in form and substance reasonably

satisfactory to Buyer. Any Schedule or Exhibit to this Agreement and any other document, agreement or certificate contemplated by this Agreement, not approved by Buyer in writing as to form and substance on the date this Agreement is executed, shall be reasonably satisfactory in form and substance to Buyer.

(e) Consents - Permits. Seller shall have received (and there shall be in full force and effect) all material consents, approvals, licenses, permits, orders and other authorizations of, and shall have made (and there shall be in full force and effect) all such filings, registrations, qualifications and declarations with, any Person pursuant to any applicable law, statute, ordinance regulation or rule or pursuant to any agreement, order or decree to which Seller is a party or to which it is subject, in connection with the transactions contemplated by this Agreement and the sale of the Assets.

(f) Corporate Documents. Seller shall have delivered to Buyer:

(i) An Officer's Certificate of the Secretary of Seller certifying (x) the incumbency and genuineness of signatures of all officers of Seller executing this Agreement, any document delivered by Seller at the Closing and any other document, instrument or agreement executed in connection herewith, (y) the truth and correctness of resolutions of Seller authorizing the entry by Seller into this Agreement and the transactions contemplated hereby, and (z) the truth, correctness and completeness of the By-Laws of Seller;

(ii) the Charter of Seller certified as of a recent date by the Secretary of State of the State of North Carolina; and

(iii) certificates of corporate and tax good standing and legal existence of Seller as of a recent date from the Secretary of State of the State of North Carolina.

(g) Opinion of Counsel. Buyer shall have received a favorable opinion, dated the Closing Date and satisfactory in form to Buyer and its counsel, of counsel to the Sellers, as to the matters set forth on Exhibit C attached hereto.

(h) Title Insurance; Consents. Buyer shall have obtained at normal rates a commitment (which shall remain in effect for not less than one year from the Closing Date) in form and content, and issued by a title insurance company acceptable to it and its counsel for the issuance of an ALTA owner's title insurance policy in an amount equal to the fair market value of the Property, insuring the interests of Buyer as fee simple owner of the Property and all improvements and fixtures thereon and all rights and appurtenances thereto as of the Closing Date, subject only to such exceptions as are acceptable to Buyer. Seller shall have delivered on the Closing Date such consents, subordinations, non-disturbance agreements, estoppel certificates, and other

documentation as may be reasonably required by Buyer or said title insurance company with respect to the Property.

(i) Bulk Sales. Seller shall at or prior to Closing provide Buyer an indemnity acceptable to Buyer with respect to Seller's non-compliance with bulk sales laws applicable in South Carolina.

(j) Supply Agreement. Seller shall cause its shareholders listed on Schedule 6.1(j) attached hereto to enter into a guaranteed water supply contract with Buyer in form and substance as set forth in Exhibit D attached hereto (the "Supply Agreement").

(k) Non-Competition Agreements. Seller shall cause Seller's chief executive officer, chief financial officer, quality assurance director, regulatory affairs director and plant manager to enter non-competition agreements with Buyer in form and substance as set forth in Exhibit E attached hereto (the "Non-Competition Agreements").

6.2 CONDITIONS TO OBLIGATIONS OF SELLER. The obligations of Seller to consummate this Agreement and the transactions contemplated hereby are subject to the fulfillment, prior to or at the Closing, of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties of Buyer in this Agreement shall remain true and correct at the Closing Date, and Buyer shall, on or before the Closing Date, have performed all of its obligations under this Agreement and the other documents executed in connection herewith which by the terms hereof are to be performed by it on or before the Closing Date; and Buyer shall have delivered an Officer's Certificate to the Seller dated the Closing Date to such effect.

(b) No Pending Action. No legislation, order, rule, ruling or regulation shall have been proposed, enacted or made by or on behalf of any governmental body, department or agency, and no legislation shall have been introduced in either House of Congress or in the legislature of any state, and no investigation by any governmental authority shall have been commenced or threatened, and no action, suit, investigation or proceeding shall have been commenced before, and no decision shall have been rendered by, any court or other governmental authority or arbitrator, which, in any such case, was not known by Seller on the date hereof or which could adversely affect, restrain, prevent or rescind the transactions contemplated by this Agreement (including, without limitation, the purchase and sale of the Assets) or result in a Material Adverse Effect.

(c)Corporate Documents. Buyer shall have delivered to Seller:

(i) an Officer's Certificate of the Clerk of Buyer certifying (x) the incumbency and genuineness of signatures of all officers of Buyer executing this Agreement, any document delivered by Buyer at the Closing and any other document, instrument or agreement executed in connection herewith, (y) the truth and correctness of resolutions of Buyer authorizing the entry by Buyer into this Agreement and the transactions contemplated hereby, and (z) the truth, correctness and completeness of the By-Laws of Buyer;

(ii) the Charter of Buyer certified as of a recent date by the Secretary of State of the Commonwealth of Massachusetts; and

(iii) certificates of corporate good standing and legal existence of Buyer as of a recent date from the Secretary of State of the Commonwealth of Massachusetts.

(d) Opinion of Counsel to Buyer. Seller shall have received a favorable opinion, dated the Closing Date and satisfactory in form to Seller, of counsel to Buyer, in substantially the form attached hereto as Exhibit F.

ARTICLE VII

TERMINATION

7.1 TERMINATION OF AGREEMENT. This Agreement and the transactions contemplated hereby may (at the option of the party having the right to do so) be terminated at any time on or prior to the Closing Date:

(a) Mutual Consent. By mutual written consent of Buyer and Seller;

(b) Court Order. By Buyer or Seller if any court of competent jurisdiction shall have issued an order pursuant to the request of a third party restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement; or

(c) Failure to Close By August 18, 1995. By Buyer if the transactions contemplated hereby shall not have been consummated on or before August 18, 1995; provided, however, that such right to terminate this Agreement shall not be available to Buyer if Buyer's failure to fulfill any obligation of this Agreement has been the cause of, or resulted in, the failure of the transactions contemplated hereby to be consummated on or before such date.

7.2 EFFECT OF TERMINATION AND RIGHT TO PROCEED. If this Agreement is terminated pursuant to this Article VII, then except as provided below, all further obligations of Buyer and Seller under this Agreement shall terminate without further liability of Buyer or any Affiliate thereof to Seller or of Seller or any Affiliate thereof to Buyer, except with respect to the obligations set forth in Section 5.2(a) hereof and except as to liability for misrepresentation, breach or default in connection with any warranty, representation, covenant or obligation given, occurring or arising to the date of termination. In addition, anything in this Agreement to the contrary notwithstanding, if any of the conditions to obligations specified in Article VI hereof have not been satisfied, Buyer, in addition to any other rights which it may have, shall have the right to waive its right to have such conditions satisfied and elect to proceed with the transactions contemplated hereby and, if any of the conditions to the obligations of Seller specified in Article V hereof have not been satisfied, Seller, in addition to any other rights which may be available to it, shall have the right to waive its right to have such conditions satisfied and elect to proceed with the transactions contemplated hereby.

ARTICLE VIII

INDEMNIFICATION

8.1 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The parties hereto agree to shorten the applicable period of limitation of claims made under representations and warranties, and for that purpose each and every such representation and warranty set forth in this Agreement (including the Officer's Certificates required by Sections 6.1(a) and 6.2(a) hereof), shall survive until the second anniversary of the Closing Date, except with respect to (a) the representations and warranties set forth in Sections 3.2, 3.4, 3.19, 3.20, 3.21, 3.26, 4.2 and 4.3, which shall survive the Closing without limitation; and (b) the representations and warranties set forth in Section 3.18, which shall survive the Closing until the first to occur of (x) the expiration of the statute of limitations (and any extensions thereof) applicable to the Tax in respect of which indemnification is being sought without the assertion of a deficiency in respect thereof by the applicable governmental entity, or (y) the completion of the final audit and determination by the applicable governmental entity with respect to such Tax and final disposition of any deficiency resulting therefrom. From and after the applicable period of survival with respect to such respective representations and warranties of Seller and Buyer, neither Seller or Buyer or any Affiliate of Seller or Buyer shall have any liability whatsoever with respect to any such representation or warranty, except for breaches as to which any party shall have notified the other party prior to such date. This Section 8.1 shall have no effect upon any other obligation of the parties hereto, whether to be performed before or after the Closing Date.

8.2 INDEMNIFICATION BY SELLER. Seller hereby indemnifies, defends and holds Buyer, its officers, directors, employees, owners, agents and Affiliates, harmless from and in respect of any and all losses, damages, costs and expenses of any kind and nature whatsoever (including, without limitation, interest and penalties, reasonable expenses of investigation and court costs, reasonable attorneys' fees and disbursements and the reasonable fees and disbursements of other professionals) which may be sustained or suffered by any of them (collectively "Losses"), arising out of or resulting from (i) any breach or inaccuracy of any representation or warranty or the breach of or failure to perform any warranty, covenant, undertaking or other agreement of Seller contained in this Agreement or any other document executed in connection herewith, and (ii) Seller's operation or use of the Assets or manufacture of products prior to the Closing Date.

8.3 INDEMNIFICATION BY BUYER. Buyer hereby indemnifies, defends and holds Seller, its officers, directors, employees, consultants, owners, agents and Affiliates, harmless from and in respect of any and all Losses which may be sustained or suffered by any of them arising out of or resulting from (i) any breach or inaccuracy of any representation or warranty or the breach of or failure to perform any warranty, covenant, undertaking or other agreement of Buyer contained in this Agreement or any other document executed in connection herewith, and (ii) Buyer's operation or use of the Assets or manufacture of products after the Closing Date.

8.4 NOTICE AND OPPORTUNITY TO DEFEND. If there occurs an event which a party asserts is an indemnifiable event pursuant to Section 8.2 or 8.3, the party seeking indemnification (the "Indemnified Party") shall promptly notify the other party obligated to provide indemnification (the "Indemnifying Party"). If such event involves (a) any Claim, or (b) the commencement of any action, suit or proceeding by a third person, the Indemnified Party will give such Indemnifying Party prompt written notice of such Claim or the commencement of such action, suit or proceeding; provided, however, that the failure to provide prompt notice as provided herein will relieve the Indemnifying Party of its obligations hereunder only to the extent that such failure prejudices the Indemnifying Party hereunder. In case any such action, suit or proceeding shall be brought against the Indemnified Party and it shall notify the Indemnifying Party of the commencement thereof, the Indemnifying Party shall be entitled to participate therein and, to the extent that it desires to do so, to assume the defense thereof, with counsel reasonably satisfactory to the Indemnified Party and, after notice from the Indemnifying Party to the Indemnified Party of such election so to assume the defense thereof, the Indemnifying Party shall not be liable to the Indemnified Party hereunder for any attorneys' fees or any other expenses, in each case subsequently incurred by the Indemnified Party, in connection with the defense of such action, suit or proceeding. The Indemnified Party shall cooperate fully with the Indemnifying Party and its counsel in the defense against any such action, suit or proceeding. In any event, the Indemnified Party shall have the right to participate at its own expense in the defense of such action, suit or proceeding.

In no event shall an Indemnifying Party be liable for any settlement or compromise effected without its prior consent.

8.5 RIGHT OF SET-OFF. If a claim for indemnification is made by Buyer as the Indemnified Party under this Article VIII, Buyer may, at its option by written notice to Seller (and without limiting any other rights it may have at law or in equity), withhold the amount of such claimed indemnity from the amount of any payments otherwise due under Section 2.7 hereof. Upon final determination of such claim, Buyer may reduce the amount of such payment by the amount of which it is entitled hereunder.

ARTICLE IX

CLOSING DOCUMENTS

9.1 DELIVERIES OF SELLER AT CLOSING. At the Closing, Seller shall deliver to Buyer the following:

- (a) Good and clear record, marketable and insurable title to the Property, free from all Liens, and full undisturbed possession of the Property, and full use and enjoyment of same.
- (b) Officer's certificates and such certificates from public officials relating to legal existence, corporate good standing, charter documents, state sales tax clearance and municipal tax payments and assessments, which Buyer may reasonably request to verify any warranties of Seller herein, including those described in Section 6.1(f) hereof.
- (c) Such discharges, termination statements, releases and the like with respect to the Assets as Buyer may reasonably request.
- (d) The Deed and the documents, instruments, and agreements referred to in Section 2.4(b) hereof.
- (e) All other books, records, contracts, materials and properties related to the Property or Seller's business, including, without limitation, all such books, records, contracts and materials for periods extending back not less than seven years, which records shall be delivered to Buyer or located at the Property.

- (f) Certificate of resolutions of the board of directors and shareholders of Seller authorizing the transactions contemplated hereby, certified by the Secretary of Seller.
- (g) Certificate of the Secretary of Seller as to incumbency and other related matters.
- (h) A copy of the duly adopted by-laws of Seller, certified by the Secretary of Seller to be true, complete and accurate as of the Closing Date.
- (i) Officer's Certificate referred in Section 6.1(a) executed by Seller.
- (j) Opinion of counsel referred to in Section 6.1(g).
- (k) Any other document reasonably requested by Buyer to confirm or verify the accuracy of the warranties by Seller herein and the compliance by Seller with its covenants herein.
- (l) Certificate of Seller, executed under the pains and penalties of perjury, stating that Seller is not a "foreign person", as defined in Section 1445(f) of the Code and the regulations issued thereunder, in order to comply with Section 1445(b)(2) and the regulations issued thereunder, in such form as Buyer or the title insurance company issuing the title policy on the Property may require, in their sole discretion.
- (m) Mechanics lien and parties in possession affidavit, in such form as Buyer may require.
- (n) Payoff letters and discharges with respect to any outstanding Liens on the Property.
- (o) A certification of the information necessary to complete and file with the Internal Revenue Service a Form 1099-S in connection with the conveyance of the Property.

- (p) [Tax lien waiver relating to Seller issued by the South Carolina Department of Revenue in connection with the transactions herein contemplated.]
- (q) Evidence of payment of all property tax bills and tangible property tax bills due and owing related to the Property and the Assets, including all separate tax parcels, if applicable.
- (r) Municipal lien certificate with respect to the Property.
- (s) Evidence of payment of water and sewer charges with respect to the Property.
- (t) The consent of any third parties to assumption by Buyer of the agreements of Seller as to which Buyer has given notice to Seller in accordance with Section 5.5 of Buyer's intent to assume.
- (u) The Supply Contract.
- (v) The Termination.
- (w) The Releases.
- (x) The Non-Competition Agreements.

9.2 DELIVERIES OF BUYER AT CLOSING. At the Closing, Buyer shall deliver to Seller the following:

- (a) Payment in accordance with Section 2.2 hereof.
- (b) Certificate of resolutions of the boards of directors of Buyer authorizing the transactions contemplated hereby, certified by the Clerk of Buyer.
- (c) The Officer's Certificate referred to in Section 6.2(a).
- (d) The opinion of counsel referred to in Section 6.2(d).
- (e) The Supply Agreement.

ARTICLE X
MISCELLANEOUS

10.1 FEES AND EXPENSES. Each of the parties hereto will pay and discharge its own expenses and fees in connection of with the negotiation of and entry into this Agreement and the consummation of the transactions contemplated hereby.

10.2 PUBLICITY AND DISCLOSURES. Prior to the Closing, no press release or any public disclosure, either written or oral, of the transactions contemplated by this Agreement shall be made by any party without the prior knowledge and written consent of the other, except as may be required by law or regulation.

10.3 NOTICES. All notices, requests, demands, consents and communications necessary or required under this Agreement shall be in writing and delivered by hand or sent by registered or certified mail, return receipt requested, or by telecopy (receipt confirmed) to:

if to Buyer: Haemonetics Corporation
400 Wood Road
Braintree, MA 02184

with a copy to: Attention: John White
Haemonetics Corporation
400 Wood Road
Braintree, MA 02184

Attention: Alicia R. Lopez, Esq.

if to Seller: DHL Laboratories, Inc.
200 Medical Services Drive, PO Box 85
Union, South Carolina 29379

Attention: Robert Weinstein

with a copy to: Smith, Helms, Mulliss & Moore
P.O. Box 31247
Charlotte, North Carolina 28231

Attention: Larry J. Dagenhart, Esq.

10.4 SUCCESSORS AND ASSIGNS. All covenants and agreements set forth in this Agreement and made by or on behalf of either party hereto shall bind and inure to the benefit of the successors and assigns of such party, whether or not so expressed, except that Seller may not assign or transfer its rights or obligations under this Agreement without the consent in writing of Buyer.

10.5 DESCRIPTIVE HEADINGS. The headings of the sections and paragraphs of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

10.6 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 of which together shall constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

10.7 SEVERABILITY. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason in any jurisdiction, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected, it being intended that each of parties' rights and privileges shall be enforceable to the fullest extent permitted by law, and any such invalidity, illegality and unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the fullest extent permitted by law, the parties hereby waive any provision of any law, statute, ordinance, rule or regulation which might render any provision hereof invalid, illegal or unenforceable.

10.8 ATTORNEYS' FEES. In any action or proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees in addition to any other available remedy.

10.9 COURSE OF DEALING. No course of dealing and no delay on the part of any party hereto in exercising any right, power, or remedy conferred by this Agreement shall operate as a waiver thereof or otherwise prejudice such party's rights, powers and remedies. The failure of any of the parties to this Agreement to require the performance of a term or obligation under this Agreement or the waiver by any of the parties to this Agreement of any breach hereunder shall not prevent subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach hereunder. No single or partial exercise of any rights, powers or remedies conferred by this Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

10.10 THIRD PARTIES. Except as specifically set forth or referred to herein, nothing herein expressed or implied is intended or shall be construed to confer upon or give to any Person, other than the parties hereto and their permitted successors or assigns, any rights or remedies under or by reason of this Agreement.

10.11 VARIATIONS IN PRONOUNS. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the identity of the Person or Persons may require.

10.12 GOVERNING LAW. This Agreement, including the validity hereof and the rights and obligations of the parties hereunder, shall be construed in accordance with and governed by the laws of the Commonwealth of Massachusetts applicable to contracts made and to be performed entirely in such state (without giving effect to the conflicts of laws provisions thereof).

10.13 ENTIRE AGREEMENT. This Agreement, including the Schedules and Exhibits referred to herein, is the complete and exclusive agreement of the parties, and includes all promises, representations, understandings, warranties and agreements with reference to the subject matter hereof, and all inducements to the making of this Agreement relied upon by all the parties hereto have been expressed herein or in said Schedules or Exhibits. This Agreement may not be amended except by an instrument in writing signed on behalf of Buyer and Seller.

10.14 ARBITRATION. Any dispute, controversy or claim arising out of or in connection with this Agreement or the breach thereof shall be exclusively subject to binding arbitration in Boston, Massachusetts before a single arbitrator in accordance with the then current commercial arbitration rules of the American Arbitration Association. Judgment upon any award of the arbitrator may be entered in any court having jurisdiction thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal as of the date first set forth above.

ATTEST: HAEMONETICS CORPORATION
By: /s/ John F. White

Title: Chairmen, President and CEO

ATTEST: DHL LABORATORIES, INC.
By: /s/ Robert Weinstein

Title: President

HAEMONETICS CORPORATION
 COMPUTATION OF NET INCOME PER SHARE
 (DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

	MARCH 30, 1996	APRIL 1, 1995	APRIL 2, 1994
	-----	-----	-----
Net Income.....	\$35,925	\$33,645	\$31,489
	=====	=====	=====
Weighted Average common and common equivalent shares outstanding.....	27,294	27,896	27,964
Net effect of dilutive stock options.....	428	547	838
	-----	-----	-----
Total weighted average shares outstanding.....	27,722	28,443	28,802
	=====	=====	=====
Net income per common and common equivalent share..	\$ 1.30	\$ 1.18	\$ 1.09
	=====	=====	=====

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 Insti- tute, Inc.	Delaware
Haemonetics Belgium S.A./N.V.....	Belgium
Haemonetics Handelsgesellschaft.m.b.H.....	Austria
All of the foregoing subsidiaries are wholly owned by Haemonetics Corporation.	
Haemonetics Italia S.R.L.....	Italy
This subsidiary is 80% (eighty percent) owned by Haemonetics Corporation	

EXHIBIT 23

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, 1996

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF HAEMONETICS CORPORATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR		
	MAR-30-1996	
	APR-02-1995	
	MAR-30-1996	13,434
		0
		61,310
		984
		56,729
	158,879	160,824
		74,408
	287,818	
46,439		15,156
	0	0
		288
		216,682
287,818		278,216
	278,216	123,603
		123,603
		18,467
		321
	2,338	
		55,254
		19,329
35,925		0
		0
		0
		35,925
		1.30
		1.30