

To our shareholders



RONALD A. MATRICARIA
Chairman of the Board

We are witnessing a global environment that has combined three years of financial turmoil and market volatility with issues of broad corporate misconduct and quality of management. While we at Haemonetics are not satisfied with the financial results of this last year, I am pleased to report that we have made important progress in putting in place the building blocks necessary for the next phase of our growth.

- As demand for blood components grows and supply tightens, Haemonetics remains the leader in providing solutions to the growing problem. Our product platform is robust and we remain committed to realizing its full potential while at the same time deepening the product pipeline and identifying growth opportunities.
- While our corporate governance philosophy and practices have always been an area of focus and aligned with industry best practices, we have conducted a thorough review and enhancement of our policies and have made our Principles of Corporate Governance and Code of Conduct available on our website. We are committed to maintaining the highest governance standards.

From a financial perspective, fiscal 2003 revenues grew 5.3%. Earnings per share declined to \$1.13 from \$1.37 in fiscal 2002, but included a \$0.34 negative impact from the effects of foreign exchange. Operating cash flow was \$25 million, and the Company repurchased 1.85 million shares of stock. Net debt stands at \$21 million.¹

Our goals for fiscal 2004 include high single digit revenue growth and earnings per share flat with fiscal 2003. Beyond these financial goals, however, we are committed to continuing to provide the highest quality, most cost effective solutions to healthcare providers and patients affected by the pressing problems surrounding blood safety, quality, and availability.

Market trends continue to favor adoption of automation

Blood shortages, safety issues, and regulatory scrutiny continue to drive the industry. In June 2002 and January 2003 we saw unprecedented joint pleas for blood donation from the major organizations in U.S. blood collection, including the American Association of Blood Banks, American Red Cross, and America's Blood Centers. Contributing to shortages was the implementation of regulations to limit the theoretical transfusion risk of transmitting variant Creutzfeldt-Jakob disease ("mad cow" disease), which decreased the number of eligible donors in the U.S. Despite increased

awareness of the need for blood, the number of willing and able donors continues to decline. Automation provides the only solution to collect more blood from fewer donors.

Despite having the safest blood supply ever, safety issues, including the transmission through transfusion of West Nile Virus and HIV during the past year, have shaken the confidence of the public and increased regulatory scrutiny on the collection, handling, and transfusion of blood. Of course, at the core of our business is our belief that automating previously manual functions will increase blood component availability and safety. In addition to advocating the use of automation and other measures to improve blood safety, Haemonetics is participating in new efforts to enhance safety, including pathogen reduction and data management.

The Company's alliance with Baxter International allows Haemonetics to offer its platelet collection customers seamless integration of platelet pathogen reduction into their operations. This system is commercially available in Europe and undergoing late-stage clinical trials in the U.S. Haemonetics has also partnered with V.I. Technologies to facilitate pathogen reduction of red cells. This system is also undergoing late-stage clinical trials in the U.S. Pathogen reduction will provide perhaps the ultimate safety check on blood components for transfusion. Haemonetics will play a role in these advancements.

The Company's acquisition of Fifth Dimension Information Systems in December 2001 has already proven to be a good strategic fit of information technology and automated collection. While Fifth Dimension has been successful in automating the operations of plasma collection centers, from donor management through to testing labs and fractionation plants, we also have made progress in adapting the software for use in not-for-profit blood banks. By removing manual, error-prone data input and recordkeeping from human control, the Fifth Dimension division is helping plasma and blood collectors to improve the documentation, traceability, and safety of their products.

Product portfolio provides solid foundation for future growth

For the past 30 years Haemonetics has been the worldwide market leader in each of the segments in which we operate. We were the industry's technology pioneers, inventing surgical blood salvage, automated platelet collection, automated plasma collection, automated cell processing, and recently, automated red cell collection and orthopedic surgical blood salvage, and we have made these processes the industry's gold standard. We are confident in the capacity of our product portfolio to drive growth for years to come and we intend to remain the leader in our markets. We remain especially excited about automating the operations of blood banks as well as future applications for our Dynamic Disk™ platform.

Automated red cell collection has become the standard of practice for many blood banks, with some even implementing "Total Automation™" programs, in which blood components are collected

¹ Under newly released guidance issued by the SEC any financial results not calculated in accordance with U.S. GAAP are reconciled to U.S. GAAP on the Company's website.