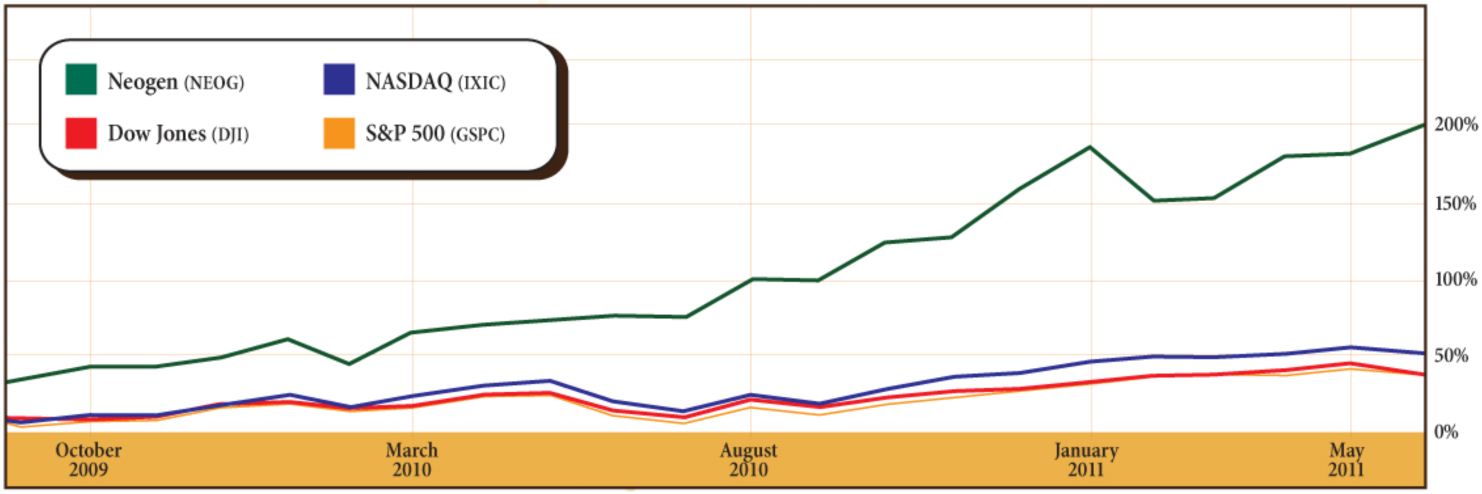
Satisfying Growing Global Demand

Annual Report 2011

NEOGEN® CORPORATION

Dedicated to Food and Animal Safety since 1982

Neogen Stock Performance



Contents

The mission of Neogen Corporation is to be the leading company in the development and marketing of solutions for food and animal safety.

Financial Highlights

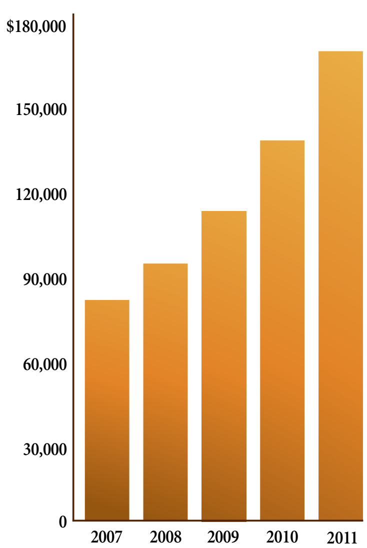
Amounts in thousands, except per share

Years Ended May 31,	**2011**	2010	2009	2008	2007
Operations:					
Total Revenues	**$ 172,683**	$ 140,509	$ 118,721	$ 102,418	$ 86,138
Food Safety Sales	**85,514**	76,454	61,025	57,664	47,165
Animal Safety Sales	**87,169**	64,055	57,696	44,754	38,973
Operating Income	**35,835**	26,879	20,488	18,019	13,504
Net Income	**$ 22,839**	$ 17,521	$ 13,874	$ 12,098	$ 9,125
Basic Net Income Per Share*	**$ 0.99**	$ 0.78	$ 0.63	$ 0.56	$ 0.44
Diluted Net Income Per Share*	**$ 0.96**	$ 0.76	$ 0.61	$ 0.54	$ 0.43
Average Diluted Shares Outstanding*	**23,791**	23,091	22,587	22,499	21,243

*Restated for the years 2007–2009

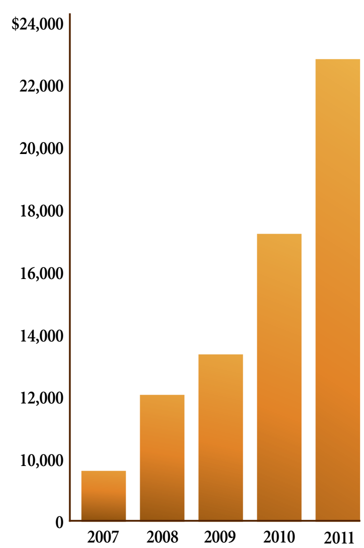
Total Revenues

Dollars in thousands



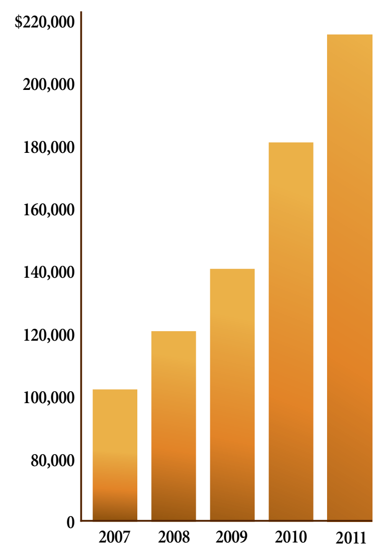
Net Income

Dollars in thousands



Total Assets

Dollars in thousands



In thousands

May 31,	**2011**	2010	2009	2008	2007
Financial Strength:					
Cash and Marketable Securities	**$ 56,083**	$ 22,806	$ 13,842	$ 14,270	$ 13,424
Working Capital	**104,705**	68,987	62,520	54,495	41,060
Total Assets	**219,662**	180,233	142,176	126,357	105,284
Long-Term Debt	**–**	–	–	–	–
Equity	**188,978**	153,053	128,679	111,248	91,945

A MESSAGE *from* MANAGEMENT

James Herbert and Lon Bohannon

TO OUR STOCKHOLDERS, EMPLOYEES AND FRIENDS:

Our 2011 fiscal year was another record breaker for revenues, earnings, cash flows and stock value. Although we encountered a number of rough spots in the year, our team of more than 650 employees overcame these difficulties as they continued to recognize that the toughest thing about success is continuing to be a success.

CONTINUED STRONG EARNINGS

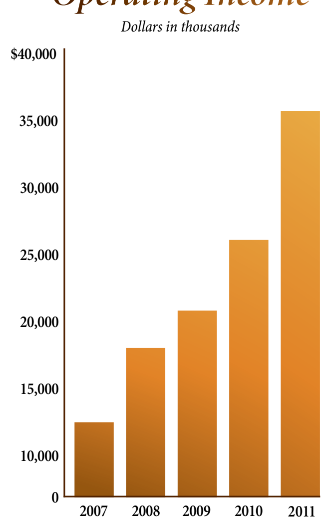
Net income for FY 2011 increased 30% from the prior year to approximately $22.8 million. This equals $0.96 per share as compared to last year's $0.76. Our revenues for FY 2011 increased 23% to approximately $172.7 million, up from $140.5 million. We're particularly proud of our operating profit for the year, which increased 33% to $35.8 million, or 20.8% of sales—our best ever.

The year also marked a continuation in performance consistency as the fourth quarter was the 77th quarter in the past 82 in which we have shown increased revenues as compared to the year earlier—a record now spanning over 20 years.

BALANCE SHEET STRONG

We continued our effective management of working capital during the year. Even with the 23% increase in revenues, receivables and inventories were up only 3%. Cost controls coupled with increased revenues allowed us to increase our tangible assets by approximately $39 million while only increasing liabilities by $3 million. The outstanding performance for the year resulted in an increase of 24% in equity.

Operating Income



We added $33.3 million to our cash and marketable securities, now a total of $56.1 million, and have no borrowings against our bank line of credit. We believe this cash reserve could be helpful as we consider the full range of growth strategies moving forward.

BOTH DIVISIONS SOLID

Our Animal Safety Division enjoyed the greatest revenue growth for the year, up 36% to over $87 million. The GeneSeek® animal genetics business contributed strongly to this growth, but the division also achieved solid organic growth of over 12%.

Food Safety Division revenues increased 12% for the year to approximately $85 million. Comparisons to a year earlier were difficult since this division recorded a revenue increase of 25% in the prior year due to unusually large sales of mycotoxin test kits.

This division is focused on the fastest growing market areas. Food allergen product sales increased almost 45% in FY 2011. Our tests to detect microorganism contamination such as *E. coli* and *Salmonella* were up 15%. The AccuPoint® 2 testing systems used to monitor general sanitation had double-digit growth.

GROWTH STRATEGY CONTINUES

Neogen continued to utilize its proven four-point growth strategy to achieve these FY 2011 results. Market share gain, new product introduction, synergistic acquisitions and international growth all contributed.

Analysis of the revenue growth shows revenue increases in existing product lines were the best ever, leading us to believe that we kept up with the total market growth and gained in market share. Several new products and product improvements were introduced during the year as Neogen continues to build its R&D strengths.

ACQUISITION INTEGRATION KEY

Since 2000, Neogen has made 19 acquisitions. During FY 2011 we fully integrated two very synergistic acquisitions that were acquired in the prior year. GeneSeek was a significant revenue and profit producer for the year and also provided backbone activity for our R&D groups. The tools used to analyze animal genomics can also help differentiate bacterial pathogens—ultimately leading to quicker development of user-friendly tests and allowing food processors to obtain quicker test results.

During the year we also completed integration of the

BioKits food safety product line acquired from Gen-Probe. That business was moved from Wales to our expanded facilities in Scotland and was a significant earnings producer since it has been virtually a "bolt-on" to our Neogen Europe operations.

International Growth Continues

We believe that markets for food and animal safety products internationally will grow even faster than the domestic markets. Sales for FY 2011 to customers outside the United States were up 30% as compared to the prior year and accounted for 42% of Neogen's total revenues.

Neogen Europe continues to lead the charge in growing international sales, achieving a sales increase of 27%. Our Neogen Latinoamérica subsidiary in Mexico City, which sells both Neogen's Food Safety and Animal Safety products, completed another successful year of revenue growth with sales up 38%.

Neogen do Brasil completed its first year of operation. Though a significant number of necessary product registrations have been completed for Brazil, other pending applications should expand animal safety product sales in the country.

We increased our traction in China this year with a number of our groups benefiting from sales increases. We shipped a significant amount of disinfectant products to China; our plant disease diagnostic tests used by Chinese plant quarantine agencies continue to be well accepted; and our sanitation monitoring products, along with several diagnostic products for the dairy industry showed increased sales in the country.

Performance Rewarded

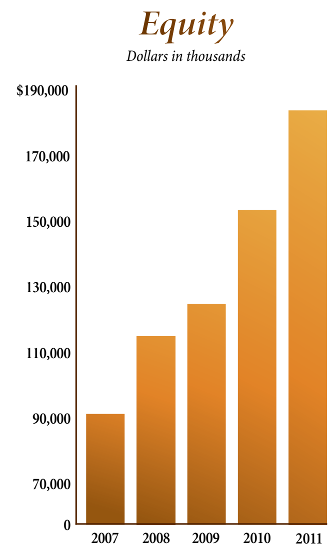
Neogen's performance did not go unnoticed by the financial markets. Early in the year Neogen stock was selling for $25 per share and it climbed to the $40 range by year end. The company's market cap went over $1 billion for the first time; Forbes named Neogen to its list of Best Small Companies for the ninth year; and Fortune again named us one of the 100 Fastest Growing Companies.

Growing Global Demand

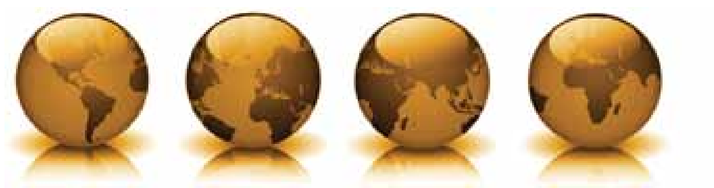
Though we take pride in the 2011 year, we are even more excited about the great opportunities that still lie ahead. We believe that the global market for our products will highly correlate to increases in global population, increases in worldwide urbanization, more occurrences in widespread news of foodborne illnesses and death and more regulations on food safety.

Global population now stands at about 6.9 billion and is expected to rise to perhaps 9 billion by about 2050. Not only will we need to feed 30% more people, but they will demand higher quality food than we provide them today.

The trend toward urbanization will continue to be a bigger concern. It is now estimated that for the first time, the majority of people worldwide live in towns and cities. A study by the United Nations shows that by 2050, 70% of the world's population will be living in cities and towns, and not producing their own food. Food will have to be produced, processed and transported from rural food sources to those urban tables.



The worldwide food industry will have to produce more food quicker. Food will be transported further and pushed through tighter distribution systems. Food and animal safety are critical components of nearly every one of these requirements. Companies like Neogen will play an ever increasing role in solving food safety problems to allow the expanded production.



Prediction Being Realized

Increasing pressure on food and animal safety is already being realized. Animal producers worldwide are feeling the pressure of reduced use of antibiotics to keep animals healthy. Particularly in the European Union, testing for the presence of antibiotic residues in meat products is increasing dramatically.

As the fruit and vegetable industry faces large food poisoning outbreaks, it is being pressured to both implement rigorous food safety practices and meet increased market demands. As a leader in that industry said recently, "I think we've had enough recalls now that we finally get it."

Foodborne allergens continue to be the largest source of recalls in the U.S. The animal feed industry is under more pressure to monitor its products for adulterants since food safety problems can be passed from the feed, through the animal, and to the dinner plate. As we concentrate more animals in smaller geographic areas, rodent control has become extraordinarily important to limit the spread of pathogens.

We believe the title of this year's annual report captures our opportunity for the years ahead: ***Satisfying Growing Global Demand.***

James L. Herbert
Chairman and CEO

Lon M. Bohannon
President and COO

Satisfying Growing Global Demand

The demand for safe and adequate food is a constant across the world's cultures, and political and geographic boundaries. While tastes vary from region to region, and some regional food production and distribution systems struggle to satisfy hunger, the demand remains the same everywhere: More safe, high quality food.

Recent global population estimates for 2050 and beyond by the United Nations and U.S. Census Bureau point clearly to a staggering increase in the future global demand for safe food. With a current world population of close to 7 billion, the United Nations estimates the world's population could reach 9 billion in 2050 and as high as 15.8 billion in 2100.

In the face of the growing global demand for safe food, a recent study commissioned by the Food and Agriculture Organization of the United Nations states that approximately one-third of all the food produced annually for humans in the world (approximately 1.3 billion tons) is lost or wasted before it is consumed. Food waste occurs most often in industrialized countries when edible foodstuffs become contaminated and must be destroyed. In developing countries, food loss occurs mainly when weaknesses in processing and distribution equipment and systems lead to the loss of food.

Neogen stands poised with a diverse array of food and animal safety solutions to continue to help satisfy the growing global demand for safe food. From cattle ranches in Brazil, to shellfish processors on the coast of Scotland, corn farms in the United States, dairy farms in Belgium,








melon producers in Mexico, livestock ranches in New Zealand and everywhere in between, Neogen offers innovative solutions to help ensure that more safe, high quality food reaches consumers.

To reach each of its worldwide customers and prospects with expertise and experience, Neogen's sales efforts are divided by market segments. Neogen's markets include:

Genomics

Neogen's GeneSeek subsidiary is the leading global provider of DNA testing for animal agribusiness. GeneSeek provides everything from research and development to final implementation of molecular solutions for applications such as genetic improvement, disease management and identity management. For example, cattle producers can use GeneSeek's technology to tailor breeding programs to produce more cattle that are more disease resistant and higher in milk production—resulting in dairy products that are safer, healthier and more environmentally efficient to produce. The same genomic testing is improving beef, pork and lamb production.

Neogen recently expanded the reach of GeneSeek technology with the development of the new NeoSEEK™ pathogen DNA detection method for *E. coli* strains—the first food safety laboratory technology developed through the close collaboration of Neogen's food safety research group and the GeneSeek research team. NeoSEEK provides next-day results from food samples through the GeneSeek laboratory facilities for seven deadly *E. coli* strains—O26, O45, O103, O111, O121, O145 and O157. Like the better known and widely regulated *E. coli* O157:H7 strain, these other six *E. coli* strains are known food safety concerns, and produce Shiga toxins, which are well known to cause severe illness.

Dairy & Beverage

Neogen's worldwide dairy and beverage team targets brewers, beverage, juice and water bottlers; wineries and dairy processors. Neogen currently offers these industries tests to detect dairy antibiotic residues, water quality, food allergens and bacteria, along with an ATP sanitation monitoring system.

The unintended accidental and unscrupulous misuse of antibiotics to treat illness in dairy cows poses known threats to human health when the cows' milk is consumed, and interferes with the further processing of the milk into cultured dairy products. Neogen's quick and easy dairy antibiotic tests allow farmers and dairy processors to prevent milk with excessive levels of antibiotics from reaching the marketplace.

Meat & Poultry

Neogen's meat and poultry team targets processors of beef, lamb, chicken, pork, eggs and turkey. The company offers this market tests for foodborne bacteria, such as *E. coli*, *Salmonella*, *Listeria* and *Campylobacter*, along with sanitation and food allergen tests.

Nowhere is the use of Neogen's testing products to prevent dangerous food from reaching consumers more evident than through the use of the company's tests of specific pathogenic bacteria. The company's tests are highly respected because of their speed, accuracy and ease of use. For example, the company's test for *E. coli* O157:H7, of particular concern in ground beef, can detect the pathogen in as little as 8 hours and before it enters the food chain. Neogen's dedicated staff of research and technical support microbiologists is likely the largest in the industry.

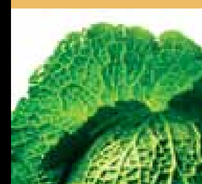
Neogen also offers Acumedia® dehydrated culture media and diagnostics to worldwide biotechnology customers who use culture media for varied reasons, including traditional bacterial testing. Acumedia's current catalog of products features approximately 200 items and numerous custom manufactured items.

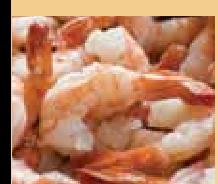
Aquaculture

Neogen targets the aquaculture industry with its extensive line of rapid foodborne pathogen, sanitation monitoring, histamine and shellfish toxin tests. The company's recently released rapid tests to detect naturally occurring toxins in shellfish that cause amnesic shellfish poisoning and diarrhetic shellfish poisoning will help prevent these toxins from reaching consumers. Neogen's labs in Scotland continually monitor residues in large numbers of finfish and shellfish.

Grocery Products

Neogen's grocery product team targets manufacturers of traditional grocery items, such as bakery goods, cereal





foods, natural foods, prepared meals, snacks, confections and pasta. Producers of these grocery products use Neogen's complete line of safety testing products, including tests for dangerous bacteria, spoilage microorganisms, natural toxins, food allergens and general sanitation levels.

Neogen's testing products can not only directly prevent contaminated product from being shipped to retailers and on to consumers, but they can also help manufacturers establish sound manufacturing processes that minimize the risk of product contamination. For example, a Neogen food allergen test can be used as a verification tool that a company's sanitation program has effectively cleaned processing equipment when changing over from an allergen-containing product to an allergen-free product.

Similarly, Neogen's products for the detection of spoilage microorganisms (e.g., yeast and mold) can lengthen the shelf lives of food items by identifying products that contain excessive levels of the microorganisms, as well as helping to improve manufacturing processes that led to that contamination.

Milling & Grain

Neogen's milling and grain team targets producers and processors of feed and grain, millers and malters, and regulatory personnel responsible to ensure the safety and quality of the worldwide grain supply. Neogen offers this worldwide market the most comprehensive line of tests for mycotoxins, ruminant by-products in feed, as well as tests for dangerous bacteria.

The effects of ingesting excessive amounts of mycotoxins (toxins produced by molds growing on grains such as corn and wheat) range from chronic health problems to death. In animals, mycotoxins have been shown to cause feed refusal, liver damage or cancer, decreased milk and egg production, blood disorders, immune suppression and interference with reproductive efficiency. ➤

The use of Neogen's simple and quick mycotoxin tests ensures the safety and quality of grains destined directly for human food and the wholesomeness of grains to be used as animal feed.

Fruit & Vegetables

Neogen's fruit and vegetable team targets producers and processors of fruits and vegetables, including fresh, canned and frozen varieties. As with meat and poultry products, Neogen's tests for specific foodborne bacteria can be used in the fruit and vegetable industry to directly prevent contaminated food items from reaching consumers.

Neogen's Adgen brand plant disease diagnostics for fruits, vegetables and cereals such as wheat, detect the early onset of disease, and allow for its effective treatment before it can devastate healthy and profitable crops. The company's plant diagnostics, offered primarily through its Scotland-based Neogen Europe subsidiary, now includes tests for more than 250 different viral, bacterial and fungal plant pathogens.

Food Service

Neogen's food service efforts target fast food restaurants, full-service restaurants, grocery stores, delis, institutional suppliers and caterers. This market's growing acknowledgement of its role as the last critical safety link in the food supply chain has led to a growing acceptance and usage of food safety products, including Neogen's AccuPoint 2 sanitation monitoring system.

Professional Veterinary

Neogen uses its own experienced sales force, and a network of distributors in the United States and 64 other countries, to reach veterinarians and professional animal caregivers primarily in the equine, beef, swine, poultry and companion animal care businesses. Neogen offers these businesses veterinary instruments, pharmaceuticals, vaccines, rodenticides, disinfectants, topicals and diagnostic products.

Neogen is uniquely positioned with a vast array of food and animal safety solutions, and expertise and experience, to help satisfy the growing global demand for ever increasing amounts of safe food.

In an attempt to keep herds and flocks healthy, while protecting consumers, producers have improved animal management practices, and included veterinary supplements, electrolytes and vitamins in animal diets. Healthy animals require less medication and are more resistant to disease. Neogen's topicals and disinfectants also play a significant role in improving both animal and food safety.

Farm & Ranch

Neogen's farm and ranch team works directly with the largest U.S. producers of dairy, pork, chicken and turkey animals to provide specialized products. The products, including rodenticides, cleaners and disinfectants, help protect livestock from the spread of dangerous pathogens in large, modern integrated production facilities.

Rats and mice remain a serious threat to food and feedstuffs, and spread disease. Neogen's proven line of rodenticides is used for effective control of rodent infestations and is often a critical component of an overall biosecurity plan. The effective use of Neogen's cleaners and disinfectants can stop disease-causing pathogens at the farm from travelling to the processing plant, and then throughout the food chain.

Retail Animal Care

Neogen uses a vast network of professional distributors and retailers to supply animal owners and caregivers with premium quality, yet affordable animal care products. Neogen offers the retail market rodenticides, veterinary products targeted for use on smaller farms and ranches, and a number of products used to treat and protect companion animals.

Companion Animal

Neogen's companion animal teams market diagnostics designed to ensure the safety of pet food from natural toxins and bacterial pathogens, and animal care products for dogs, cats, horses and other companion animals. The pet food safety diagnostics are primarily marketed directly to pet food manufacturers, while the animal care products are marketed through a combination of direct, distributor and retailer sales.

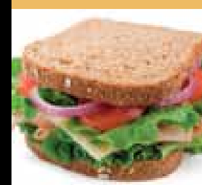
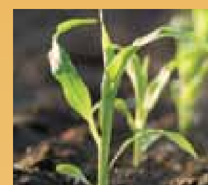
Products for this market include Neogen's BotVax® B vaccine, which has protected thousands of horses against equine botulism, and a new genetic testing service that enables dog owners to definitively determine a dog's pedigree.

Life Sciences

Products aimed at the life sciences market include test kits that can be used to detect more than 200 drugs and/or their metabolites. These tests are marketed to laboratories and end users worldwide for the detection of abused and therapeutic drugs in racing and food animals, and in meat products

Neogen also supplies drug detection kits to the forensic toxicology market for the analysis of urine, blood and other types of forensic samples. Neogen's proprietary substrates for the life sciences market are also sold to diagnostic test kit producers throughout the world, in addition to being used in the manufacture of Neogen's own unique diagnostic test kits.

Neogen is uniquely positioned with a vast array of food and animal safety solutions, and expertise and experience, to help satisfy the growing global demand for ever increasing amounts of safe food.





Management's Discussion and Analysis of Financial Condition and Results of Operations

The information in this Management's Discussion and Analysis of Financial Condition and Results of Operations contains both historical financial information and forward-looking statements. Neogen Corporation management does not provide forecasts of future financial performance. While management is optimistic about the Company's long-term prospects, historical financial information may not be indicative of future financial results.

Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements. There are a number of important factors, including competition, recruitment and dependence on key employees, impact of weather on agriculture and food production, identification and integration of acquisitions, research and development risks, patent and trade secret protection, government regulation and other risks detailed from time to time in the Company's reports on file at the Securities and Exchange Commission, that could cause Neogen Corporation's results to differ materially from those indicated by such forward-looking statements, including those detailed in this "Management's Discussion and Analysis of Financial Condition and Results of Operations."

In addition, any forward-looking statements represent management's views only as of the day this Report on Form 10-K was first filed with the Securities and Exchange Commission and should not be relied upon as representing management's views as of any subsequent date. While management may elect to update forward-looking statements at some point in the future, it specifically disclaims any obligation to do so, even if its views change.

Critical Accounting Policies and Estimates

The discussion and analysis of the Company's financial condition and results of operations are based on the consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires that management make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates the estimates, including those related to receivable allowances, inventories and intangible assets. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The following critical accounting policies reflect management's more significant judgments and estimates used in the preparation of the consolidated financial statements.

Revenue Recognition

Revenue from sales of products and services is recognized when a purchase order has been received, the product has been shipped or the service performed, the sales price is fixed and determinable, and collection of any receivable is probable. To the extent customer payment is received before all recognition criteria has been met, these revenues are initially deferred and later recognized in the period that all recognition criteria has been met. Where right of return exists, allowances are made at the time of sale to reflect expected returns based on historical experience.

Accounts Receivable Allowance

Management attempts to minimize credit risk by reviewing customers' credit history before extending credit and by monitoring credit exposure on a regular basis. An allowance for possible losses on accounts receivable is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. Collateral or other security is generally not required for accounts receivable. Once a receivable balance has been determined to be uncollectible, that amount is written off against the reserve for uncollectible accounts.

Inventory

A reserve for obsolete and slow moving inventory has been established and is reviewed at least quarterly based on an analysis of the inventory taking into account the current condition of the asset as well as other known facts and future plans. The amount of reserve required to record inventory at lower of cost or market may be adjusted as conditions change. Product obsolescence may be caused by shelf-life expiration, discontinuance of a product line, replacement products in the marketplace or other competitive situations.

Goodwill and Other Intangible Assets

Management assesses goodwill and other non-amortizable intangible assets for possible impairment at least annually. Assessments indicated no impairment of these assets existed in each of 2011, 2010 and 2009. In the event of changes in circumstances that indicate the carrying value of these assets may not be recoverable, management will make an assessment at that time. Factors that could cause an impairment review to take place would include:

- Significant under performance relative to expected historical or projected future operating results.

- Significant changes in the use of acquired assets or strategy of the Company.
- Significant negative industry or economic trends.

When management determines that the carrying value of definite-lived intangible assets may not be recoverable based on the existence of one or more of the above indicators of impairment, the carrying value of the reporting unit's net assets is compared to its fair value using undiscounted future cash flows of the reporting unit. If the carrying amounts of these assets are greater than the amount of undiscounted future cash flows, such assets are reduced to their estimated fair value.

Equity Compensation Plans

ASC 718 – Compensation – Stock Compensation addresses the accounting for share-based employee compensation. Further information on the Company's equity compensation plans, including inputs used to determine fair value of options is disclosed in Note 5 to the consolidated financial statements. ASC 718 requires that share options awarded to employees and shares of stock awarded to employees under certain stock purchase plans are recognized as compensation expense based on their fair value at grant date. The fair market value of options granted under the Company's stock option plans was estimated on the date of grant using the Black-Scholes option-pricing model using assumptions for inputs such as interest rates, expected dividends, volatility measures and specific employee exercise behavior patterns based on statistical data. Some of the inputs used are not market-observable and have to be estimated or derived from available data. Use of different estimates would produce different option values, which in turn would result in higher or lower compensation expense recognized.

To value options, several recognized valuation models exist. None of these models can be singled out as being the best or most correct one. The model applied by the Company is able to handle some of the specific features included in the options granted, which is the reason for its use. If a different model were used, the option values would differ despite using the same inputs. Accordingly, using different assumptions coupled with using a different valuation model could have a significant impact on the fair value of employee stock options. Fair value could be either higher or lower than the ones produced by the model applied and the inputs used.

Results of Operations

Executive Overview

Revenue of $172,683,000 in fiscal 2011 represented a 23% increase compared to revenue of $140,509,000 in fiscal 2010. Net income for 2011 was $22,839,000, or $0.96 per fully diluted share, compared to $17,521,000, or $0.76 per fully diluted share, in fiscal 2010. Revenue, operating income and net income for the 2011 fiscal year each established new all-time highs. These results were achieved in a difficult business environment, both domestically and internationally. The Company's percentage of sales from customers outside the United States grew from 40% of total revenues in 2010 to 42% in 2011. Cash flow from operations for 2011 improved to $29 million, primarily a result of the profitability of the Company and its ability, through the use of systems and procedures, to control its use of working capital.

Although there were no acquisitions during the fiscal year, the two acquisitions from the prior year performed strongly in helping to increase revenues in 2011. Following a strong year in which allergen revenues increased by 50%, the BioKits acquisition pushed the food allergen product line to a second outstanding growth year, increasing sales by more than 44% in 2011. The GeneSeek acquisition, made late in the 2010 fiscal year, made a positive impact by adding revenues of over $18 million in 2011 to the Company. Adding to the strong performance, Neogen Europe recorded a 27% revenue gain in 2011, following a 24% gain in 2010.

Consolidated gross margins decreased from 51.9% in 2010 to 50.8% in 2011, due primarily to the impact of GeneSeek, which under its business model, operates at lower historical gross margins than the Company's other product lines, and to a lesser extent, product mix. Management continued a strong cost containment program begun in 2010. Operating expenses as a percentage of revenues declined from 32.8% in 2010 to 30.1% in 2011 with increased utilization of fixed costs.

The Company's financial performance continued to gain increased notice in the investment community in 2011. It continued its inclusion in the Russell 2000 Index and the Standard & Poor's 600 Healthcare Index. Neogen was also named to Fortune Magazine's Fastest Growing 100 list and was again named to Forbes Magazine's annual list of the Best Small Companies in America, for the sixth consecutive year and the ninth time in the last 11 years.

Revenues

(Dollars in thousands)	Twelve Months Ended May 31, 2011	Increase/ (Decrease)	May 31, 2010	Increase/ (Decrease)	May 31, 2009
Food Safety:					
Natural Toxins, Allergens and Drug Residues	**$ 43,108**	10%	$ 39,338	28%	$ 30,667
Bacterial and General Sanitation	**22,268**	14%	19,545	5%	18,539
Dehydrated Culture Media and Other	**20,138**	15%	17,571	49%	11,819
	85,514	12%	76,454	25%	61,025
Animal Safety:					
Life Sciences and Other	**7,902**	11%	7,126	24%	5,730
Vaccine	**2,392**	3%	2,329	6%	2,207
Rodenticides and Disinfectants	**28,226**	17%	24,160	18%	20,491
Veterinary Instruments and Other	**30,629**	7%	28,568	(2%)	29,268
DNA Testing	**18,020**	N/A	1,872		–
	87,169	36%	64,055	11%	57,696
Total Revenues	**$ 172,683**	23%	$ 140,509	18%	$ 118,721

Year Ended May 31, 2011 Compared to Year Ended May 31, 2010

The Company's Food Safety segment revenues grew by 12% overall in 2011, with increases in each major product category compared to 2010. Organic revenue growth was 9% in the segment, compared to the prior year. The increase in Natural Toxins, Allergens and Drug Residues of 10% in 2011 included strong contributions in Allergen revenues which increased 45% in comparison with 2010. Natural toxin revenue was flat in 2011 compared with 2010, when cold and rainy conditions conducive to the production of the mycotoxin deoxynivalenol (DON) in much of the United States resulted in sales increases of 40% for these test kits. Drug residue product related revenues increased by 5% compared with 2010, as worldwide concern over residue and toxin levels in human food and animal feed positively affected sales.

Bacterial and General Sanitation revenues increased in 2011 by 14% compared with 2010. While sales of AccuPoint 2 readers and Soleris® microbial detection instruments were relatively flat due to resistance toward the required initial capital investment for these units, sales of the associated disposable AccuPoint samplers and Soleris vials from installed units remained strong.

Dehydrated Culture Media and Other revenues increased by 15% in 2011, with strong sales to traditional lab accounts and increased international revenues.

Animal Safety revenues increased by 36% overall and included a full year of DNA Testing revenues. On an organic basis, excluding revenues resulting from the GeneSeek acquisition, Animal Safety revenues increased 12% in comparison with fiscal year 2010. Life Sciences and Other revenues increased 11% in 2011 with broad based increases from existing customers and new key accounts.

Despite the difficult economic conditions in 2011, vaccine revenues increased by 3% compared with 2010, as animal practitioners continued to utilize the Company's products.

Rodenticide and Disinfectant revenues increased by 17% in comparison with 2010. The Company's BioSentry® line of cleaners and disinfectants continued to gain market share and increased by 26% in comparison with 2010. The product line continues to be a strong synergistic fit as it is marketed with the Company's full line of biosecurity solutions.

Veterinary Instruments and Other products increased 7% for the year due to improvements in animal protein markets in the second half of the fiscal year. Ideal® Instruments product offerings, such as needles and syringe products, increased by 21% for the year, with broad based increases in several other product groups.

DNA Testing revenues, resulting from the purchase of GeneSeek Inc. in April 2010, contributed over $18,000,000 in its first full year with the Company.

Year Ended May 31, 2010 Compared to Year Ended May 31, 2009

The Company's Food Safety segment recorded a broad-based 2010 revenue increase of 25% to $76,454,000. Organic sales growth for this segment was 22% in the year ended May 31, 2010.

The increase in Natural Toxins, Allergens and Drug Residues resulted from strong organic sales and the contributions of the BioKits food allergen product line that was acquired in December 2009. The allergen product line had another outstanding year of growth, with sales increasing by 57%. The dramatic increase in sales of each of Neogen's allergen tests is attributable to the aforementioned acquisition and to food producers increasing efforts to ensure that inadvertent allergenic ingredients do not contaminate non-allergenic foods. Sales of Food Safety's oldest product line, its rapid tests to detect natural toxins in grain, also saw significant improvement for the year, as tests for aflatoxin and deoxynivalenol (DON) improved by 40% compared to the prior year. Cool wet weather combined with an early frost experienced in the U.S. corn belt in 2009, led to sharp increases in demand for tests to detect these toxins. However, continued worldwide interest in toxin levels in human food and animal feed has positively affected sales. Dollar sales of tests to detect drug residues increased by 24% from the prior year, as worldwide concern continued to increase.

Bacterial and General Sanitation sales had a good year despite several products that requires the customer to make a capital investment, including AccuPoint readers and Soleris microbial detection instruments. Sales of these products slowed in 2009 and in 2010 due to the impact of the economic downturn. However, sales of associated disposable AccuPoint samplers and Soleris vials continued strong growth—providing evidence of the continued use and acceptance of these unique Food Safety products.

Dehydrated Culture Media and Other increased significantly during the year as a result of the continued efforts of the sales and marketing staff in executing their sales plan and in gaining and retaining new customers.

Revenues from the Company's Animal Safety segment grew 11% in 2010 compared to the prior year. The successful integration of the acquired DuPont™ line of disinfectants and cleaners, International Diagnostics Systems (IDS) drug residue diagnostics and GeneSeek, contributed significantly to Animal Safety's revenue growth for the year. Organic growth was 4% in a very difficult overall market.

Life Sciences and Other sales increased by 24% in 2010, primarily due to the successful integration of the IDS product line acquired in May 2009. Organic sales increases of the Life Sciences and Other products were limited as customers were affected by the economic downturn.

Sales of Neogen's veterinary biologics, which include an equine vaccine against botulism and immune stimulant products were up 6% for the year. Sales of vitamin injectibles into the livestock market were up 13% over the prior year. Evidence of the synergistic nature of the IDS diagnostic tests to pre-existing Neogen products was shown as we experienced an 18% increase in 2010 in same store sales of tests to detect drug residues for the forensic market.

Even though a number of the Animal Safety customers continue to feel the effects of a depressed animal protein market, this division did experience strong increases in sales of a number of products. Sales of rodenticides into domestic markets increased 27% on a year over year basis. Sales into international markets of the same products increased 25%, as Neogen continues to grow its market share and new products gain market acceptance. Sales of Neogen's line of cleaners and disinfectants also grew 10% in the year. The Company's efforts to market its products as synergistic biosecurity solutions are gaining more traction.

Veterinary instrument and other sales decreased by 2% in 2010 in comparison with 2009 as many of these products are ultimately used by customers involved in the production of animal protein. This group of customers has been especially hit hard by the economic recession.

Cost of Goods Sold

(Dollars in thousands)	**2011**	**Increase**	2010	Increase	2009
Cost of Goods Sold	**$ 84,891**	**26%**	$ 67,534	14%	$ 59,288

Cost of goods sold increased by 26% in 2011 and by 14% in 2010 in comparison with the prior year. This compares against a 23% and 18% increase in revenues in 2011 and in 2010. Expressed as a percentage of revenues, cost of goods sold was 49%, 48% and 50% in 2011, 2010, and 2009 respectively. The decline in 2011 gross margin percentage was primarily the result of the business model of GeneSeek, which has lower gross margins than the other product lines of the Company.

Food Safety gross margins were 64%, 64% and 63% in 2011, 2010 and 2009, respectively. Changes in margins between periods relate primarily to changes in product mix. Margins also improved in 2011 and in 2010 from the effects of efficiencies resulting from investments in manufacturing facilities and equipment.

Animal Safety gross margins were 37%, 38% and 37% in 2011, 2010 and 2009, respectively. Changes in margins between periods relate primarily to product mix. Excluding the results of the GeneSeek acquisition, margins in 2011 were 39%.

Operating Expenses

(Dollars in thousands)	**2011**	**Increase**	2010	Increase	2009
Sales and Marketing	**$ 30,020**	**14%**	$ 26,350	15%	$ 22,906
General and Administrative	**15,112**	**12%**	13,488	17%	11,484
Research and Development	**6,825**	**9%**	6,258	37%	4,555

Sales and marketing expenses increased by 14% in 2011 and by 15% in 2010, each compared with the prior year. As a percentage of sales,

sales and marketing expense decreased to 17% in 2011 from 19% in both 2010 and 2009. Management plans to continue to expand the Company's sales and marketing efforts both domestically and internationally and currently expects related expenses to grow over time to approximately 20% of Company revenues.

General and administrative expenses increased by 12% in 2011 and by 17% in 2010. Increases in 2011 and 2010 resulted primarily from the absorption of acquisitions, as well as increased levels of operations and added amortization related to businesses acquired. These expenses have decreased from 10% to 9%, expressed as a percentage of sales, over the past three fiscal years. These declines have resulted from the fixed nature of many of these expenses, combined with a significant increase in sales.

Research and development expenses increased by 9% in 2011 compared to 2010 and 37% in 2010 in comparison with 2009. As a percentage of revenue these expenses were 4% in 2011, 5% in 2010 and 4% in 2009. Although some fluctuation in research and development expenses will occur, management expects research and development expenses to approximate 4-6% of revenues. Certain Company products require relatively less investment in research and development expenses. Research and development expenses approximate 8% to 10% of revenues for products and product lines that are required to be supported by research and development.

Operating Income

(Dollars in thousands)	**2011**	**Increase**	2010	Increase	2009
Operating Income	**$ 35,835**	**33%**	$ 26,879	31%	$ 20,488

During fiscal year 2011 and 2010, the Company's operating income increased by 33% and 31% compared to the respective prior year. As a percentage of revenues it was 21%, 19% and 17% in 2011, 2010 and 2009 respectively. The Company has been successful in improving its operating income in 2011 and 2010 from revenue and gross margin growth from existing products and acquisitions and from control of manufacturing, distribution and administrative costs.

Other Income (Expense)

(Dollars in thousands)	**2011**	**Decrease**	2010	Decrease	2009
Other Income (Expense)	**$ (596)**	**N/A**	$ 442	(61%)	$ 1,136

Other income decreased by $1,038,000 in 2011, from $442,000 income in 2010 to ($596,000) expense in 2011 and decreased by 61% in 2010 in comparison with 2009. Other Income decreased in 2011 primarily due to a charge of $787,000 to Other Expense related to an increase in the secondary payment obligation for the GeneSeek acquisition. Interest income is a result of the Company's increase in cash and cash equivalents and marketable securities in the periods, offset by decreased interest rates. By investing only in certificates of deposit and high quality A1P1 rated commercial paper maturing in one year or less, the Company follows a very conservative investment philosophy which, in the current market, results in returns of less than 1%. Investment earnings were $95,000 in 2011, $81,000 in fiscal 2010 and $248,000 in 2009. Other income also included $317,000, $181,000 and $429,000 in royalty income in 2011, 2010 and 2009 and $11,000 in 2011, $80,000 in 2010 and $355,000 in 2009 of gains from foreign currency transactions.

Federal and State Income Taxes

(Dollars in thousands)	**2011**	**Increase**	2010	Increase	2009
Federal and State Income Taxes	**$ 12,400**	**27%**	$ 9,800	26%	$ 7,750

The tax provision was 35% of pretax income in 2011, 36% in 2010 and 36% in 2009. Fluctuations in the tax rate from the 35% corporate rate is due to changes in the mix of the localities where income is earned in any year, stock option plan deductions as a result of exercise of shares and tax credits. Other than rate, the increase in the tax provision is primarily a function of the increase in pre-tax income of the Company.

Net Income and Net Income Per Share

(Dollars in thousands, except per share data)	**2011**	**Increase**	2010	Increase	2009
Net Income	**$ 22,839**	**30%**	$ 17,521	26%	$ 13,874
Net Income Per Share - Basic	**$ 0.99**		$ 0.78		$ 0.63
Net Income Per Share - Diluted	**$ 0.96**		$ 0.76		$ 0.61

Net income increased by 30% in 2011 and 26% in 2010 in comparison with the prior years. As a percentage of revenue, net income was 13% in 2011 and 12% in both 2010 and 2009. All of the above factors contributed to the increase in net income.

Future Operating Results

Neogen Corporation's future operating results involve a number of risks and uncertainties. Actual events or results may differ materially from those discussed in this report. Factors that could cause or contribute to such differences include, but are not limited to, the factors discussed below as well as those discussed elsewhere in this report. Management's ability to grow the business in the future depends upon its ability to successfully implement various strategies, including:

- developing, manufacturing and marketing new products with new features and capabilities;
- expanding the Company's markets by fostering increased use of Company products by customers;
- maintaining gross and net operating margins in changing cost environments;
- strengthening sales and marketing activities in geographies outside of the U.S.;
- developing and implementing new technology development strategies; and
- identifying and completing acquisitions that enhance existing businesses or create new business areas.

Financial Condition and Liquidity

On May 31, 2011, the Company had $35,844,000 in cash and cash equivalents, $20,239,000 in marketable securities, working capital of $104,705,000 and total equity of $188,978,000. The Company has a financing agreement with a bank providing for an unsecured revolving line of credit of $10,000,000 which matures on August 20, 2012. There were no advances against this line of credit during 2011, 2010 and 2009 and no balance outstanding at May 31, 2011 and 2010. Cash increased $13,038,000 during 2011, marketable securities increased by $20,239,000, cash provided from operations was $28,843,000 and stock option exercise proceeds provided an additional $10,259,000 of cash. Additions to property and equipment and other non-current assets used cash of $7,796,000.

Accounts receivable increased $1,201,000 or 4% when compared to May 31, 2010. This resulted from increased sales as a result of organic sales growth and acquisitions, offset by some decrease of average days outstanding. These accounts are being actively managed and no losses thereon in excess of amounts reserved are currently expected. Days sales outstanding, a measurement of the time it takes to collect receivables, improved from 59 days at May 31, 2010 to 57 days at May 31, 2011.

Inventory levels increased by 2% or $678,000 in 2011 as compared to 2010. Despite the higher sales volumes, management was able to maintain a program to control inventory levels while supplying customers with shipments within 48 hours of placing an order. During 2011, the Company continued programs aimed at reducing inventory and expects to maintain those programs into the future.

The Company is constructing a building in Randolph, Wisconsin to meet its warehousing needs, with expected completion in the first quarter of FY-2012. The Company has entered an agreement to purchase a 132,000 square foot warehouse facility in Lexington, Kentucky, expected to close in August 2011. The facilities are generally believed to be adequate to support existing operations in the short run. Both projects will be funded with available cash.

Neogen has been profitable from operations for its last 73 quarters and has generated positive cash flow from operations during the period. However, the Company's current funds may not be sufficient to meet the Company's cash requirements to commercialize products currently under development or its plans to acquire additional businesses, technology and products that fit within the Company's strategic plan. Accordingly, the Company may be required to or may choose to issue equity securities or enter into other financing arrangements for a portion of the Company's future capital needs.

The Company is subject to certain legal and other proceedings in the normal course of business that, in the opinion of management, will not have a material effect on its results of operations or financial position.

Contractual Obligations

The Company has the following contractual obligations due by period:

(In thousands)	Total	Less than one year	1–3 years	3–5 years	More than 5 years
Long-Term Debt	$ –	$ –	$ –	$ –	$ –
Operating Leases	443	356	87	–	–
Unconditional Purchase Obligations	42,881	41,681	700	500	–
	$ 43,324	$ 42,037	$ 787	$ 500	$ –

New Accounting Pronouncements

See discussion of any New Accounting Pronouncements in Note 1 to Consolidated Financial Statements.

Neogen Corporation and Subsidiaries: Consolidated Balance Sheets

	May 31, 2011	May 31, 2010
(In thousands)		
Assets		
Current Assets		
Cash and cash equivalents	**$ 35,844**	$ 22,806
Marketable securities	**20,239**	–
Accounts receivable, less allowance of $800 and $600 at May 31, 2011 and 2010	**28,634**	27,433
Inventories	**31,994**	31,316
Deferred income taxes	**1,044**	774
Prepaid expenses and other current assets	**4,747**	3,691
Total Current Assets	**122,502**	86,020
Property and Equipment		
Land and improvements	**1,195**	1,181
Buildings and improvements	**14,417**	13,150
Machinery and equipment	**22,973**	19,474
Furniture and fixtures	**1,164**	767
Construction in progress	**1,217**	180
	40,966	34,752
Less accumulated depreciation	**18,626**	15,572
Net Property and Equipment	**22,340**	19,180
Other Assets		
Goodwill	**51,584**	52,899
Other non-amortizable intangible assets	**5,166**	4,139
Amortizable customer-based intangibles, net of accumulated amortization of $5,431 and $4,002 at May 31, 2011 and 2010	**12,006**	13,021
Other non-current assets, net of accumulated amortization of $2,789 and $1,822 at May 31, 2011 and 2010	**6,064**	4,974
Total Other Assets	**74,820**	75,033
	$ 219,662	$ 180,233

	May 31, 2011	May 31, 2010
Liabilities and Equity		
(In thousands, except share and per share)		
Current Liabilities		
Accounts payable	**$ 8,516**	$ 7,187
Accruals		
Compensation and benefits	**2,715**	2,346
Federal income taxes	**–**	2,838
Other	**6,566**	4,662
Total Current Liabilities	**17,797**	17,033
Deferred Income Taxes	**8,347**	5,824
Other Long-Term Liabilities	**4,540**	4,323
Total Liabilities	**30,684**	27,180
Equity		
Preferred stock, $1.00 par value - shares authorized 100,000; none issued and outstanding	**–**	–
Common stock, $0.16 par value - shares authorized 30,000,000; 23,290,604 and 22,625,399 shares issued and outstanding at May 31, 2011 and 2010	**3,727**	3,621
Additional paid-in capital	**81,248**	69,550
Accumulated other comprehensive loss	**(394)**	(1,676)
Retained earnings	**104,064**	81,170
Total Neogen Corporation and Subsidiaries Stockholders' Equity	**188,645**	152,665
Non-controlling interest	**333**	388
Total Equity	**188,978**	153,053
	$ 219,662	$ 180,233

See accompanying notes to consolidated financial statements.

Neogen Corporation and Subsidiaries: Consolidated Statements of Income

	Year ended May 31,		
(In thousands, except per share)	**2011**	2010	2009
Net Sales	**$ 172,683**	$ 140,509	$ 118,721
Cost of Goods Sold	**84,891**	67,534	59,288
Gross Margin	**87,792**	72,975	59,433
Operating Expenses			
Sales and marketing	**30,020**	26,350	22,906
General and administrative	**15,112**	13,488	11,484
Research and development	**6,825**	6,258	4,555
	51,957	46,096	38,945
Operating Income	**35,835**	26,879	20,488
Other Income (Expense)			
Interest income	**95**	81	248
Royalty income	**317**	181	429
Change in purchase consideration	**(787)**	–	–
Other, net	**(221)**	180	459
	(596)	442	1,136
Income Before Income Taxes	**35,239**	27,321	21,624
Provision for Income Taxes	**12,400**	9,800	7,750
Net Income	**$ 22,839**	$ 17,521	$ 13,874
Net Income Per Share			
Basic	**$ 0.99**	$ 0.78	$ 0.63
Diluted	**$ 0.96**	$ 0.76	$ 0.61

See accompanying notes to consolidated financial statements.

Neogen Corporation and Subsidiaries: Consolidated Statements of Equity

(In thousands, except shares)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
Balance, June 1, 2008	21,777,416	$ 3,484	$ 57,628	$ 421	$ 49,715	–	$ 111,248
Exercise of options and warrants, net of share based compensation, including $682 income tax benefit	382,782	62	4,523				4,585
Issuance of shares under Employee Stock Purchase Plan	19,815	3	295				298
Repurchase and retirement of Common Stock	(74,684)	(12)	(911)				(923)
Noncontrolling interest attributable to acquisition of majority owned subsidiary						448	448
Comprehensive Income:							
Net income (loss) for 2009					13,896	(22)	13,874
Foreign currency translation adjustments				(851)			(851)
Total Comprehensive Income							13,023
Balance, May 31, 2009	22,105,329	3,537	61,535	(430)	63,611	426	128,679
Exercise of options and warrants, including share based compensation and $709 income tax benefit	500,242	80	7,687				7,767
Issuance of shares under Employee Stock Purchase Plan	19,828	4	328				332
Comprehensive Income:							
Net income (loss) for 2010					17,559	(38)	17,521
Foreign currency translation adjustments				(1,246)			(1,246)
Total Comprehensive Income							16,275
Balance, May 31, 2010	22,626,399	3,621	69,550	(1,676)	81,170	388	153,053
Exercise of options and warrants, including share based compensation and $632 income tax benefit	646,953	103	11,283				11,386
Issuance of shares under Employee Stock Purchase Plan	18,252	3	415				418
Comprehensive Income:							
Net income (loss) for 2011					22,894	(55)	22,839
Foreign currency translation adjustments				1,282			1,282
Total Comprehensive Income							24,121
Balance, May 31, 2011	**23,290,604**	**$ 3,727**	**$ 81,248**	**$ (394)**	**$ 104,064**	**$ 333**	**$ 188,978**

See accompanying notes to consolidated financial statements.

Neogen Corporation and Subsidiaries: Consolidated Statements of Cash Flows

(In thousands)	Year ended May 31, 2011	2010	2009
Net income	$ **22,839**	$ 17,521	$ 13,874
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	**5,329**	4,435	3,890
Deferred income taxes	**2,253**	(200)	1,550
Share based compensation	**2,237**	2,237	1,967
Excess income tax benefit from the exercise of stock options	**(2,992)**	(709)	(682)
Changes in operating assets and liabilities, net of business acquisitions:			
Accounts receivable	**(903)**	(2,240)	(4,075)
Inventories	**(434)**	64	(3,698)
Prepaid expenses and other current assets	**499**	390	(49)
Accounts payable	**1,196**	3,008	(2,648)
Accruals and other changes	**(1,181)**	3,482	856
Net Cash from Operating Activities	**28,843**	27,988	10,985
Cash Flows Used In Investing Activities			
Purchases of property, equipment and other noncurrent assets	**(7,796)**	(5,431)	(2,836)
Proceeds from the sale of marketable securities	**40,076**	–	–
Purchases of marketable securities	**(60,315)**	–	–
Business acquisitions, net of cash acquired	**–**	(20,302)	(11,134)
Net Cash Used In Investing Activities	**(28,035)**	(25,733)	(13,970)
Cash Flows from Financing Activities			
Exercise of options	**10,259**	5,900	2,916
Repurchase of common stock			(923)
Excess income tax benefit from the exercise of stock options	**2,992**	709	682
Increase (decrease) in other long-term liabilities	**(1,217)**	100	(118)
Net Cash from Financing Activities	**12,034**	6,709	2,557
Effect of Exchange Rate on Cash	**196**	–	–
Net Increase (Decrease) In Cash and Cash Equivalents	**13,038**	8,964	(428)
Cash and Cash Equivalents at Beginning of Year	**22,806**	13,842	14,270
Cash and Cash Equivalents at End of Year	$ **35,844**	$ 22,806	$ 13,842
Supplement Cash Flow Information			
Income taxes paid, net of refunds	$ **9,863**	$ 6,283	$ 7,386

See accompanying notes to consolidated financial statements.

Neogen Corporation and Subsidiaries: Notes to Consolidated Financial Statements

1. Summary of Accounting Policies

Nature of Operations

Neogen Corporation develops, manufactures, and markets a diverse line of products dedicated to food and animal safety.

Basis of Consolidation

The consolidated financial statements include the accounts of Neogen Corporation and its subsidiaries (collectively, the Company), all of which are wholly owned, with the exception of Neogen Latinoamérica S.A.P.I. DE C.V., which is 60% owned and Neogen do Brasil, which is 98% owned. Noncontrolling interest represents the noncontrolling owner's proportionate share in the equity of the Company's majority owned subsidiaries. The noncontrolling owner's proportionate share in the income or losses of the Company's majority owned subsidiaries is included in other income, net in the statements of income.

All intercompany accounts and transactions have been eliminated in consolidation.

Share and per share amounts reflect the December 15, 2009 3-for-2 stock split as if it took place at the beginning of the periods presented.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Comprehensive Income

Comprehensive income represents net income and any revenues, expenses, gains and losses that, under U.S. generally accepted accounting principles, are excluded from net income and recognized directly as a component of equity. Accumulated other comprehensive income (loss) consists solely of foreign currency translation adjustments.

Accounts Receivable and Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. Management attempts to minimize credit risk by reviewing customers' credit history before extending credit and by monitoring credit exposure on a regular basis. An allowance for possible losses on accounts receivable is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. Collateral or other security is generally not required for accounts receivable. Once a receivable balance has been determined to be uncollectible, that amount is written off against the reserve for uncollectible accounts. One customer accounted for more than 10% of accounts receivable at May 31, 2010. As of May 31, 2010 the balance due from that customer was $2,608,000, or 10% of the total of all outstanding accounts receivable.

The Company maintained a valuation allowance for accounts receivable of $800,000 at May 31, 2011 and $600,000 at May 31, 2010. Expenses related to uncollectible accounts and allowance adjustments were $430,000, $242,000 and $199,000 in 2011, 2010 and 2009, respectively. Write-offs were $230,000, $242,000 and $99,000 in 2011, 2010 and 2009, respectively.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments other than cash equivalents and marketable securities, which include accounts receivable, accounts payable, and accrued expenses, approximate fair value based on either their short maturity or current terms for similar instruments.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank demand accounts, savings deposits and certificates of deposit with original maturities of 90 days or less. Cash equivalents were $35,844,000 and $22,806,000 at May 31, 2011 and 2010, respectively. The carrying value of these assets approximates fair value.

Fair Value Measurements

Fair value measurements are determined based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of any transaction costs. The Company utilizes a fair value hierarchy based upon the observability of inputs used in valuation techniques as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Marketable Securities

The Company has marketable securities held by banks or broker-dealers consisting of short-term domestic certificates of deposit and commercial paper rated at least A-1/P-1 with maturities between 91 days and one year. Outstanding marketable securities at May 31, 2011 were $20,239,000; there were no marketable securities outstanding at May 31, 2010. These securities are classified as held for sale. The primary objective of the Company's short-term investment activity is to preserve capital for the purpose of funding operations; short-term investments are not entered into for trading or speculative purposes. The fair values are based on quoted market prices for the marketable securities in active markets with sufficient volume and frequency. (Level 1.)

Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out method, or market. The components of inventories were as follows:

(In thousands)	**2011**	2010
Raw materials	**$ 12,125**	$ 11,815
Work-in-process	**2,192**	1,958
Finished and purchased goods	**17,677**	17,543
	$ 31,994	$ 31,316

No less frequently than quarterly, inventory is analyzed for slow moving and obsolete inventory and the valuation allowance is adjusted as required. Write offs against the allowance are not separately identified. The valuation allowance for inventory was $1,150,000 and $1,000,000 at May 31, 2011 and 2010, respectively.

Property and Equipment

Property and equipment is stated at cost. Expenditures for major improvements are capitalized while repairs and maintenance are charged to expense. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets, which are generally seven to 39 years for buildings and improvements and three to five years for furniture, machinery and equipment. Depreciation expense was $3,185,000, $2,734,000 and $2,560,000 in 2011, 2010 and 2009, respectively.

Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase price over fair value of tangible net assets of acquired businesses after amounts are allocated to other identifiable intangible assets. In general, goodwill is amortizable for tax purposes over 15 years. Other intangible assets include customer relationships, trademarks, licenses, trade names and patents. Amortizable intangible assets are amortized on either an accelerated or a straight-line basis over five to 20 years. The Company reviews the carrying amounts of goodwill and other non-amortizable intangible assets annually to determine if such assets may be impaired. If the carrying amounts of these assets are deemed to be less than fair value based upon a discounted cash flow analysis and comparison to comparable EBITDA multiples of peer companies, such assets are reduced to their estimated fair value and a charge is made to operations. The remaining weighted-average amortization period for customer based intangibles and other intangibles is 13 and 10 years, respectively, at May 31, 2011.

Long-lived Assets

Management reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in business conditions indicate that the carrying amount of the assets may not be recoverable. Impairment is first evaluated by comparing the carrying value of the long-lived assets to undiscounted future cash flows over the remaining useful life of the assets. If the undiscounted cash flows are less than the carrying value of the assets, the fair value of the long-lived assets is determined, and if lower than the carrying value, impairment is recognized through a charge to operations.

Reclassifications

Certain amounts in the 2010 and 2009 financial statements have been reclassified to conform to the 2011 presentation.

Stock Options

At May 31, 2011, the Company had stock option plans which are described more fully in Note 5.

The weighted-average fair value per share of stock options granted during 2011, 2010 and 2009, estimated on the date of grant using the Black-Scholes option pricing model, was $8.66, $6.35 and $5.44 respectively. The fair value of stock options granted was estimated using the following weighted-average assumptions:

Year ended May 31,	**2011**	2010	2009
Risk-free interest rate	**1.68%**	2.0%	2.9%
Expected dividend yield	**0%**	0%	0%
Expected stock price volatility	**35.8%**	37.8%	32.8%
Expected option life	**4.0 years**	4.0 years	4.0 years

The risk-free interest rate for periods within the expected life of options granted is based on the United States Treasury yield curve in effect at the time of grant. Expected stock price volatility is based on historical volatility of the Company's stock. The expected option life, representing the period of time that options granted are expected to be outstanding, is based on historical option exercise and employee termination data. The Company recognizes the cost of stock options using the accelerated method over their requisite service periods which the Company has determined to be the vesting periods.

Revenue Recognition

Revenue from sales of products and services is recognized when a purchase order has been received, the product has been shipped or the service has been performed, the sales price is fixed and determinable, and collection of any resulting receivable is probable. To the extent customer payment is received before all recognition criteria has been met, these revenues are initially deferred and later recognized in the period that all recognition criteria has been met. Where right of return exists, allowances are made at the time of sale to reflect expected returns based on historical experience.

Shipping and Handling Costs

Shipping and handling costs that are charged to and reimbursed by the customer are recognized as sales, while the related expenses incurred by the Company are recorded in sales and marketing expense and totaled $5,211,000, $4,494,000 and $4,266,000 in 2011, 2010 and 2009, respectively.

Income Taxes

The Company accounts for income taxes using the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates in effect for the years in which the differences are expected to reverse. Deferred income tax expense represents the change in net deferred income tax assets and liabilities during the year.

The Company's foreign subsidiaries are comprised of Neogen Europe (wholly-owned subsidiary), Neogen Latinoamérica (60% owned by Neogen) and Neogen do Brasil (98% owned by Neogen). Based on historical experience as well as the Company's future plans, earnings from these subsidiaries are expected to be re-invested indefinitely for future expansion and working capital needs. Furthermore, the Company's domestic operations have historically produced sufficient operating cash flow, to mitigate the need to remit foreign earnings. On an annual basis, the Company evaluates the current business environment and whether any new events or other external changes might require a reevaluation of the decision to indefinitely re-invest foreign earnings. At May 31, 2011 unremitted earnings of the foreign subsidiaries were $7,190,000.

Research and Development Costs

Research and Development costs are expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred and totaled $677,000, $633,000 and $603,000 in 2011, 2010 and 2009, respectively.

Net Income Per Share

Basic net income per share is based on the weighted average number of common shares outstanding during each year. Diluted earnings per share is based on the weighted average number of common shares and dilutive potential common shares outstanding. The Company's dilutive potential common shares outstanding during the years result entirely from dilutive stock options and warrants. The following table presents the net income per share calculations:

Year ended May 31 (In thousands, except per share),	**2011**	2010	2009
Numerator for basic and diluted net income per share			
Net Income	**$ 22,839**	$ 17,521	$ 13,874
Denominator - Denominator for basic net income per share weighted average shares	**23,007**	22,425	22,003
Effect of dilutive stock options and warrants	**784**	666	584
Denominator for diluted net income per share	**23,791**	23,091	22,587
Net income per share:			
Basic	**$ 0.99**	$ 0.78	$ 0.63
Diluted	**$ 0.96**	$ 0.76	$ 0.61

In 2011 and 2009, 12,000 and 417,000 options, respectively, were excluded from the computations of net income per share as the option exercise prices exceeded the average market price of the common shares. No options were excluded in 2010.

New Accounting Pronouncements

Recent ASUs issued by the FASB and guidance issued by the SEC did not, or are not believed by management to, have a material effect on the Company's present or future consolidated financial statements.

2. Goodwill and Other Intangible Assets

The Company follows the provisions of ASC 350 – Intangibles Goodwill and Other (ASC 350). ASC 350 prohibits the amortization of goodwill and intangible assets with indefinite lives and requires that the Company evaluate these intangibles for impairment on an annual basis. Management has completed the required annual impairment tests of goodwill and intangible assets with indefinite lives as prescribed by ASC 350 as of the first day of the fourth quarter of 2011 and determined that recorded amounts were not impaired and that no write-down was necessary.

The following table summarizes goodwill by business segment:

(In thousands)	Food Safety	Animal Safety	Total
Balance, May 31, 2009	$ 12,515	$ 27,202	$ 39,717
Goodwill acquired	4,037	9,145	13,182
Balance, May 31, 2010	16,552	36,347	52,899
Goodwill valuation adjustments	144	(1,459)	(1,315)
Balance, May 31, 2011	**$ 16,696**	**$ 34,888**	**$ 51,584**

At May 31, 2011, non-amortizable intangible assets included licenses of $555,000, trademarks of $3,387,000 and a customer relationship intangible of $1,224,000. At May 31, 2010, non-amortizable intangible assets consisted of licenses of $554,000, trademarks of $2,361,000 and a customer relationship intangible of $1,224,000.

Other amortizable intangible assets consisted of the following and are included in customer based intangible and other noncurrent assets within the consolidated balance sheets:

(In thousands)	Gross Carrying Amount	Less Accumulated Amortization	Net Carrying Amount
Licenses	$ 2,606	$ 768	$ 1,838
Covenants not to compete	282	73	209
Patents	5,099	1,948	3,151
Customer relationship intangibles	17,437	5,431	12,006
Balance, May 31, 2011	$ 25,424	$ 8,220	$ 17,204
Licenses	$ 1,505	$ 575	$ 930
Covenants not to compete	50	21	29
Patents	3,750	1,226	2,524
Customer relationship intangibles	17,023	4,002	13,021
Balance, May 31, 2010	$ 22,328	$ 5,824	$ 16,504

Amortization expense for other intangibles totaled $2,144,000, $1,701,000 and $1,330,000 in 2011, 2010 and 2009, respectively. The estimated amortization expense for each of the five succeeding years is as follows: $2,435,000 in 2012, $2,135,000 in 2013, $1,977,000 in 2014, $1,814,000 in 2015, and $1,618,000 in 2016. The other amortizable intangible assets useful lives are 5 to 20 years for licenses, 5 years for covenants not to compete, 5 to 20 years for patents, and 12 to 20 years for customer based intangibles. All definite lived intangibles are amortized on a straight line basis with the exception of definite lived customer based intangibles which are amortized on an accelerated basis.

3. Business Combinations

The Consolidated Statements of Income reflect the results of operations for business acquisitions since the respective dates of purchase. All are accounted for using the purchase method.

On June 3, 2008, Neogen Corporation formed a subsidiary in Mexico, Neogen Latinoamérica S.A.P.I. DE C.V. to acquire its former distributor. The new business is 40% owned by Neogen Corporation's former Mexican distributor in Mexico, with the remainder owned by Neogen. The new company distributes the Company's food and animal safety products throughout Mexico. The consideration of $672,000 was allocated $462,000 to current assets, $30,000 to fixed assets and the remainder to intangible assets (estimated useful lives of 10 years).

On June 30, 2008, Neogen Corporation purchased a disinfectant business from DuPont Animal Health Solutions. The products of this business are used in animal health hygiene applications. Assets acquired include 14 different product formulations, associated registrations, patents, trademarks, and other intangibles (estimated useful lives of 5-15 years). As a part of the acquisition, the Company obtained the right to distribute certain other related DuPont products in North America. DuPont distributes certain of the newly acquired Neogen products in certain international markets. Consideration for the purchase was $7,000,000, and $5,193,000 was allocated to goodwill, $1,186,000 to customer based intangibles and $621,000 to trademarks and patents. This acquisition has been integrated into the Lexington, Kentucky, operations and has been a strong synergistic fit with the Company's Animal Safety segment.

On May 4, 2009, Neogen Corporation acquired International Diagnostics Systems Corporation (IDS), a St. Joseph, Michigan based developer, manufacturer and marketer of test kits to detect drug residues in food and animal feed, and drugs in forensic and animal samples. Consideration for the purchase was $3,955,000. The allocation included cash acquired of $493,000, net current assets of $691,000, fixed assets of $300,000, deferred tax liabilities of $400,000, goodwill (not deductible for tax purposes) and intangible assets (estimated useful lives of 5-20 years) of $3,300,000 including customer based intangibles of $1,090,000. The acquisition has been integrated into the Animal Safety segment.

On December 1, 2009, the Company purchased the BioKits food safety allergen test kits business of Gen-Probe Incorporated. Consideration for the purchase approximated $6.5 million in cash. The final allocation of the purchase price included net current assets of $770,000, fixed assets of $163,000 and intangible assets of $5,522,000. The valuation of the identifiable intangible assets acquired was based on management's estimates, currently available information and reasonable and supportable assumptions. The allocation was generally based on the fair value of these assets determined using the income approach. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 fair value measurements. The acquisition has been integrated into the Food Safety segment.

On April 1, 2010, Neogen Corporation acquired GeneSeek, Inc. of Lincoln, Nebraska, a leading commercial agricultural genetic laboratory. GeneSeek's technology employs high-resolution DNA genotyping for identity and trait analysis in a variety of important animal and agricultural plant species. Consideration for the purchase was $14,050,000 in cash and secondary payment obligations of up to $7,000,000. The allocation of the purchase price included accounts receivable of $1,923,000, inventory of $1,512,000, fixed assets of $847,000, current liabilities of $905,000, deferred tax liabilities of $2,530,000, secondary payment liabilities of $3,583,000, and the remainder to goodwill (not deductible for tax purposes) and other intangible assets (with estimated lives of 5-20 years). The allocation was generally based on the fair value of these assets determined using the income approach. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 fair value measurements. The secondary payment was based upon future operating results of the GeneSeek business through 2013, and payable annually over a three year period, measured at fair value, and is considered a Level 3 fair value measurement. The Company recorded a charge within other income (expense) of approximately $787,000 for the year ended May 31, 2011, representing the increase from its original estimate in fair value of the secondary payment liability. As of May 31, 2011, the balance of the secondary payment liability recorded was approximately $4,370,000. A payment of $1,856,000 was made in June 2011 to the former owners of GeneSeek, comprised of $1,537,000 for the first year contingent payment and an additional $319,000 for inventory purchased post acquisition and settlement of other liabilities. The acquisition has been integrated into the Animal Safety segment.

4. Long-Term Debt

The Company has a financing agreement with a bank providing for an unsecured revolving line of credit of $10,000,000 which matures on August 20, 2012. There were no advances against this line of credit during 2011, 2010 and 2009 and no balance outstanding at May 31, 2011 and 2010, other than letters of credit of $300,000 at May 31, 2011. Interest is at LIBOR plus 100 basis points (rate under the terms of the agreement was 1.20% at May 31, 2011). Financial covenants include maintaining specified levels of tangible net worth, debt service coverage, and funded debt to EBITDA, each of which the Company was in compliance with at May 31, 2011.

5. Equity Compensation Plans

Qualified and non-qualified options to purchase shares of common stock may be granted to directors, officers and employees of the Company under the terms of the Company's stock option plans at an exercise price of not less than the fair market value of the stock on the date of grant. Remaining shares available for grant under stock option plans were 397,000, 687,000 and 1,085,000 at May 31, 2011, 2010 and 2009, respectively. Options vest ratably over three and five year periods and the contractual terms are generally five years.

(In thousands, except for share price)	Shares	Weighted-Average Exercise Price	Weighted-Average Fair Value
Outstanding at May 31, 2008 (777 exercisable)	2,114	$ 9.57	$ 3.45
Granted	417	18.11	5.44
Exercised	(390)	7.23	2.69
Forfeited	(27)	5.73	3.91
Outstanding at May 31, 2009 (833 exercisable)	2,114	11.67	3.98
Granted	426	19.60	6.35
Exercised	(480)	8.57	3.04
Forfeited	(62)	13.56	4.54
Outstanding at May 31, 2010 (729 exercisable)	1,998	14.14	4.72
Granted	293	28.50	8.66
Exercised	(627)	9.83	3.98
Forfeited	(90)	18.22	5.84
Outstanding at May 31, 2011 (509 exercisable)	1,574	$ 17.77	$ 3.03

The following is a summary of stock options outstanding at May 31, 2011:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number (In thousands)	Average Remaining Contractual Life	Weighted-Average Exercise Price	Number (In thousands)	Weighted-Average Exercise Price
$ 4.23–11.32	281	2.19	$ 8.47	208	$ 8.27
11.33–17.45	326	2.63	13.91	131	14.27
17.46–19.17	311	2.53	18.19	101	18.19
19.18–19.94	347	3.56	19.55	60	19.55
19.95–40.58	309	5.16	27.84	9	20.33
	1,574	3.23	$ 17.77	509	$ 13.32

The weighted-average exercise price of shares that were exercisable at May 31, 2011 and 2010 was $13.32 and $10.96, respectively. The weighted-average grant-date fair value of options granted in 2011, 2010, and 2009 was $8.66, $6.35 and $5.44 respectively.

The aggregate intrinsic value of options outstanding and options exercisable was $42,607,000 and $16,040,000 respectively, at May 31, 2011, $23,119,000 and $10,740,000 respectively, at May 31, 2010 and $7,850,000 and $4,855,000 respectively, at May 31, 2009. The aggregate intrinsic value of options exercised during the year was $15,262,000 in 2011, $6,554,000 in 2010 and $4,099,000 in 2009. Remaining compensation cost to be expensed in future periods for non-vested options was $2,604,000 at May 31, 2011, with a weighted average expense recognition period of 2.2 years.

The following table summarizes warrant activity with non-employees that are expensed at fair value upon grant. All warrants are exercisable for common stock of the Company and expire through 2012.

(In thousands except for share price)	Shares	Weighted-Average Exercise Price
Outstanding warrants at June 1, 2008	81	$ 7.86
Warrants exercised during the year	(24)	7.22
Warrants forfeited during the year	(5)	6.75
Outstanding warrants at May 31, 2009	52	8.40
Warrants exercised during the year	(20)	8.28
Warrants forfeited during the year	(3)	8.55
Outstanding warrants at May 31, 2010	29	8.48
Warrants exercised during the year	(20)	8.30
Warrants forfeited during the year	(2)	8.18
Outstanding warrants at May 31, 2011	7	$ 9.02

Employee Stock Purchase Plan

Common stock totaling 109,112 of the 225,000 originally authorized shares are reserved for issuance under the terms of the 2002 Employee Stock Purchase Plan. The plan gives eligible employees the option to purchase common stock. Total purchases in any year are limited to 10% of compensation at 95% of the lower of the market value of the stock at the beginning or end of each participation period. Shares purchased by employees were 18,252, 19,828 and 19,815 in 2011, 2010 and 2009, respectively.

6. Income Taxes

The provision for income taxes consisted of the following:

Year ended May 31 (In thousands),	**2011**	2010	2009
Current:			
U.S. Taxes	**$ 9,336**	$ 9,550	$ 5,700
Foreign	**811**	450	500
Deferred	**2,253**	(200)	1,550
	$ 12,400	$ 9,800	$ 7,750

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income tax liabilities and assets are as follows:

Year ended May 31 (In thousands),	**2011**	2010
Deferred income tax liabilities		
Indefinite and long-lived assets	**$ (9,500)**	$ (7,479)
Prepaids	**(475)**	(454)
Other	**–**	(151)
	(9,975)	(8,084)
Deferred income tax assets		
Inventories and accounts receivable	**1,041**	1,244
Acquired net operating loss carryforwards	**195**	429
Accrued liabilities and other	**1,436**	1,361
	2,662	3,034
Net deferred income tax liabilities	**$ (7,303)**	$ (5,050)

The acquired net operating loss carryforwards resulted in a deferred tax asset of $195,000, which will expire in 2019.

The reconciliation of income taxes computed at the U.S. federal statutory tax rate to income tax expense is as follows:

Year ended May 31 (In thousands),	**2011**	2010	2009
Tax at U.S. statutory rates	**$ 12,300**	$ 9,600	$ 7,600
Tax credits and other	**(145)**	(25)	(180)
Provisions for state income taxes, net of federal benefit	**245**	225	330
	$ 12,400	$ 9,800	$ 7,750

The Company has no significant accrual for unrecognized tax benefits at May 31, 2011. Should the accrual of any interest or penalties relative to unrecognized tax benefits be necessary, such accruals will be reflected within income tax accounts. For the majority of tax jurisdictions, the Company is no longer subject to U.S. Federal, State and local or non U.S. income tax examinations by tax authorities for fiscal years before 2006. The Company is under audit by the Internal Revenue Service for its 2009 fiscal year.

7. Commitments and Contingencies

The Company is involved in environmental remediation and monitoring activities at its Randolph, Wisconsin manufacturing facility and accrues for related costs when such costs are determined to be probable and estimable. The Company is currently expensing annual costs of remediation which have ranged from $50,000 to $105,000 per year over the past five years. The Company's estimated liability for these costs of $916,000 at May 31, 2011 and 2010, measured on an undiscounted basis over an estimated period of 15 years, is recorded within other long term liabilities in the consolidated balance sheet.

The Company entered into an agreement in May 2011 to purchase a facility in Lexington, Kentucky for $4,950,000; this transaction is expected to close in August 2011. This purchase will provide the Company an additional 116,000 square feet of office, production and warehouse space.

The Company has agreements with unrelated third parties that provide for the payment of royalties on the sale of certain products. Royalty expense under the terms of these agreements was $1,561,000, $1,337,000 and $1,184,000 for 2011, 2010 and 2009, respectively.

The Company has agreements with unrelated third parties that provide for guaranteed minimum royalty payments for certain technologies, as follows: 2012-$100,000, 2013-$250,000, 2014-$350,000, and 2015 and later-$500,000.

The Company leases office and manufacturing facilities under noncancelable operating leases. Rent expense for 2011, 2010 and 2009 was $477,000, $428,000 and $336,000, respectively. Future minimum rental payments for these leases over their remaining terms are as follows: 2012 - $ 356,000; and 2013 - $87,000.

The Company is subject to certain legal and other proceedings in the normal course of business that, in the opinion of management, will not have a material effect on its future results of operations or financial position.

8. Defined Contribution Benefit Plan

The Company maintains a defined contribution 401(k) benefit plan covering substantially all employees. Employees are permitted to defer up to IRS limits, with the Company matching 100% of the first 3% deferred and 50% of the next 2% deferred. The Company's expense under this plan was $733,000, $622,000 and $542,000 in 2011, 2010 and 2009, respectively.

9. Segment Information

The Company has two reportable segments: Food Safety and Animal Safety. The Food Safety segment produces and markets diagnostic test kits and related products used by food producers and processors to detect harmful natural toxins, foodborne bacteria, allergens and levels of general sanitation. The Animal Safety segment is primarily engaged in the production and marketing of products dedicated to animal safety, including a complete line of consumable products marketed to veterinarians and animal health product distributors and provides genetic identification services. Additionally, the Animal Safety segment produces and markets rodenticides and disinfectants to assist in control of rodents and disease in and around agricultural, food production and other facilities.

These segments are managed separately because they represent strategic business units that offer different products and require different marketing strategies. The Company evaluates performance based on total sales and operating income of the respective segments. The accounting policies of the segments are the same as those described in Note 1.

Segment information is as follows:

(In thousands)	Food Safety	Animal Safety	Corporate and Eliminations[1]	Total
2011				
Net sales to external customers	**$ 85,514**	**$ 87,169**	**$ –**	**$ 172,683**
Operating income (loss)	**24,305**	**13,342**	**(1,812)**	**35,835**
Depreciation and amortization	**3,251**	**2,078**	**–**	**5,329**
Interest income	**–**	**–**	**95**	**95**
Income taxes (benefit)	**8,410**	**4,617**	**(627)**	**12,400**
Total assets	**78,373**	**90,832**	**50,457**	**219,662**
Expenditures for long-lived assets	**4,908**	**2,888**	**–**	**7,796**
2010				
Net sales to external customers	$ 76,454	$ 64,055	$ –	$ 140,509
Operating income (loss)	21,103	7,801	(2,025)	26,879
Depreciation and amortization	2,924	1,511	–	4,435
Interest income	–	–	81	81
Income taxes (benefit)	7,570	2,798	(568)	9,800
Total assets	74,583	87,894	17,756	180,233
Expenditures for long-lived assets	4,364	1,067	–	5,431
2009				
Net sales to external customers	$ 61,025	$ 57,696	$ –	$ 118,721
Operating income (loss)	14,943	6,786	(1,241)	20,488
Depreciation and amortization	2,717	1,173	–	3,890
Interest income	–	–	248	248
Income taxes (benefit)	5,356	2,432	(38)	7,750
Total assets	61,322	69,559	11,295	142,176
Expenditures for long-lived assets	1,882	954	–	2,836

[1] Includes corporate assets, including cash and cash equivalents, marketable securities, current and deferred tax accounts, and overhead expenses not allocated to specific business segments. Also includes the elimination of intersegment transactions and noncontrolling interests.

Sales to customers located outside the United States amounted to $72,724,000 or 42% of consolidated sales in 2011, $56,031,000 or 40% in 2010 and $48,678,000 or 41% in 2009 and were derived primarily in the geographic areas of Europe, Canada, South and Central America, and Asia. Revenues from one Food Safety distributor customer were 9.7% in 2011, 10.3% in 2010 and 9.8% in 2009 of total revenues. No other customer represented revenues in excess of 10% of consolidated net sales. The United States based operations represent 96% of the Company’s long-lived assets as of May 31, 2011 and 2010.

10. Stock Repurchase

In December 2008, the Company's Board of Directors authorized a program to purchase, subject to market conditions, up to 750,000 shares of the Company's common stock. As of May 31, 2011, 74,684 cumulative shares have been purchased in negotiated and open market transactions for a total price, including commissions, of approximately $923,000. There were no purchases in 2011 or 2010. Shares purchased under the program were retired.

11. Summary of Quarterly Data (Unaudited)

	Quarter Ended			
(In thousands, except per share)	August 2010	November 2010	February 2011	May 2011
Net sales	$ 42,923	$ 43,931	$ 42,235	$ 43,594
Gross margin	22,767	22,488	20,588	21,949
Net income	5,824	6,110	4,943	5,962
Basic net income per share	0.26	0.27	0.21	0.26
Diluted net income per share	0.25	0.26	0.21	0.25

	Quarter Ended			
(In thousands, except per share)	August 2009	November 2009	February 2010	May 2010
Net sales	$ 32,347	$ 35,251	$ 33,833	$ 39,078
Gross margin	17,270	18,522	17,461	19,722
Net income	4,395	4,610	3,881	4,635
Basic net income per share	0.20	0.21	0.17	0.20
Diluted net income per share	0.19	0.20	0.17	0.20

Quarterly net income per share is based on weighted-average shares outstanding and potentially dilutive stock options and warrants for the specific period, and as a result, will not necessarily aggregate to total net income per share as computed for the year as disclosed in the consolidated statements of income.

Reports

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rues 13-a-15(f) and 15d-15(f). Under the supervision and with the participation of the company's management, including the Chief Executive Officer and Chief Financial Officer, an evaluation was conducted as to the effectiveness of internal control over financial reporting as of May 31, 2011, based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that internal control over financial reporting was effective as of May 31, 2011. The effectiveness of internal control over financial reporting as of May 31, 2011, has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in its attestation report, which is included in Item 8 and is incorporated into this Item 9A by reference.

Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting were indentified as having occurred during the quarter ended May 31, 2011 that have materially affected, or are reasonably likely to materially affect, internal control financial reporting.

James L. Herbert
Chairman and CEO

Steven J. Quinlan
Vice President and CFO

July 29, 2011

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Neogen Corporation,

We have audited Neogen Corporation's internal control over financial reporting as of May 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Neogen Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Neogen Corporation maintained, in all material respects, effective internal control over financial reporting as of May 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Neogen Corporation as of May 31, 2011 and 2010, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended May 31, 2011, and our report dated July 29, 2011 expressed an unqualified opinion thereon.

Ernst & Young LLP

Grand Rapids Michigan
July 29, 2011

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Neogen Corporation,

We have audited the accompanying consolidated balance sheets of Neogen Corporation (the Company) as of May 31, 2011 and 2010, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended May 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial position of Neogen Corporation at May 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended May 31, 2011, in conformity with U.S. generally accepted accounting principles.

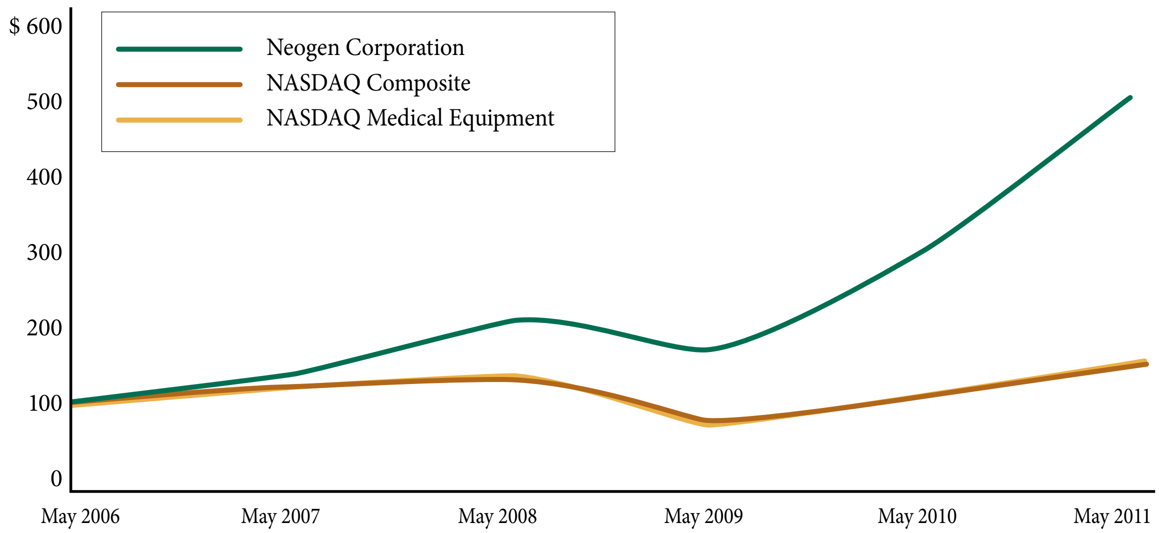
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Neogen Corporation's internal control over financial reporting as of May 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 29, 2011 expressed an unqualified opinion thereon.

Ernst & Young LLP

Grand Rapids Michigan
July 29, 2011

Neogen Corporation and Subsidiaries: Comparison of Five Year Cumulative Total Return and Stock Profile Activity

Comparison of Five Year Cumulative Total Return*
Among Neogen Corporation, The NASDAQ Composite Index,
and The NASDAQ Medical Equipment Index



*$100 invested on May 31, 2006 in stock or index, including reinvestment of dividends. Fiscal year ending May 31.

May 31 of:	2006	2007	2008	2009	2010	**2011**
Neogen Corporation	$ 100.00	$ 134.22	$ 193.68	$ 162.06	$ 283.57	**$ 494.56**
NASDAQ Composite	100.00	121.55	118.74	83.47	106.84	**135.48**
NASDAQ Medical Equipment	100.00	113.35	120.40	76.54	108.99	**133.83**

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Stock Profile Activity

The Company's common stock is traded in the over-the-counter market and quoted in the NASDAQ National Market System under the symbol NEOG. Price ranges reported are based on inter-dealer sale quotations, as reported by NASDAQ, without adjustments for markups, markdowns, or commissions typically paid by retail investors, and may not represent actual transactions. No cash dividends have ever been paid, and the Company does not currently anticipate paying cash dividends in the foreseeable future. As of July 29, 2011, there were approximately 369 stockholders of record of Common Stock that management believes represents a total of approximately 5,420 beneficial holders.

Year Ended		**High**	**Low**
May 31, 2011	Fourth Quarter	**$ 44.84**	**$ 36.80**
	Third Quarter	42.26	35.63
	Second Quarter	37.58	30.73
	First Quarter	29.91	25.06
May 31, 2010	Fourth Quarter	**$ 27.39**	**$ 23.50**
	Third Quarter	24.70	20.51
	Second Quarter	22.79	18.96
	First Quarter	20.23	14.56

Neogen Corporation Officers and Directors

Officers

James L. Herbert
Chairman of the Board
Chief Executive Officer

Lon M. Bohannon
President
Chief Operating Officer

Steven J. Quinlan
Vice President
Chief Financial Officer

Edward L. Bradley
Vice President, Food Safety

Richard R. Current
Vice President
Secretary

Kenneth V. Kodilla
Vice President, Manufacturing

Joseph M. Madden, Ph.D.
Vice President, Scientific Affairs

Terri A. Morrical
Vice President, Animal Safety

Mark A. Mozola, Ph.D.
Vice President, Research and Development

Jennifer Rice, DVM, Ph.D.
Vice President
Senior Research Director

Directors

James L. Herbert
Neogen Corporation
Chairman of the Board
Chief Executive Officer

Lon M. Bohannon
Neogen Corporation
President
Chief Operating Officer

William T. Boehm
Kroger Company
Former Senior Vice President
President of Manufacturing

President's Council of Economic Advisors
Former Senior Economist

Richard Crowder, Ph.D.
Virginia Tech University
Adjunct Professor of Agricultural Economics

U.S. Department of Agriculture
Former U.S. Chief Agricultural Trade Negotiator

A. Charles Fischer
Dow AgroSciences
Former President and CEO

G. Bruce Papesh
Dart, Papesh & Co.
President

Jack C. Parnell
Kahn, Soares & Conway

U.S. Department of Agriculture
Former Deputy Secretary

Thomas H. Reed
Tom Reed & Associates
President

JBS Packerland
Former Senior Vice President

Michigan Livestock Exchange
Former President and CEO

MSU Board of Trustees
Former Chairman

Clayton K. Yeutter, Ph.D.
Hogan Lovells, LLP
Senior Advisor, International Trade

U.S. Department of Agriculture
Former Secretary

Former U.S. Trade Representative

Directors Emeritus

Robert M. Book
Agrivista, Inc.
President

Elanco Products Company
Former Vice President

Gordon E. Guyer, Ph.D.
Michigan State University
Former President

Legal Counsel

Lowe Law Firm, P.C.
2375 Woodlake Drive
Suite 380
Okemos, MI 48864

Fraser Trebilcock Davis & Dunlap, P.C.
1000 Michigan National Tower
Lansing, MI 48933

Independent Registered Public Accounting Firm

Ernst & Young, LLP
171 Monroe Avenue NW
Suite 1000
Grand Rapids, MI 49503

Form 10-K and the Company's Code of Ethics

Copies of Form 10-K and the Company's Code of Ethics will be provided upon request without charge to persons directing their request to:

Neogen Corporation
Attention: Investor Relations
620 Lesher Place
Lansing, MI 48912

Stock Transfer Agent and Registrar

American Stock Transfer and Trust Co.
6201 15th Avenue
Brooklyn, NY 11219

Annual Meeting

October 6, 2011
10:00 a.m.
University Club
Michigan State University
3435 Forest Road
Lansing, MI 48909

620 Lesher Place, Lansing, MI 48912 USA
800/234-5333 · 517/372-9200 · Fax 517/372-0108
neogen-info@neogen.com · www.neogen.com
NASDAQ: NEOG