ANNUAL REPORT 2014

Strengthening the *global food chain*

NEOGEN® CORPORATION

Dedicated to food and animal safety since 1982

The mission of

Neogen Corporation

is to be the leading company

in the development and marketing

of ***solutions*** for food and animal ***safety***

Contents

Financial Highlights

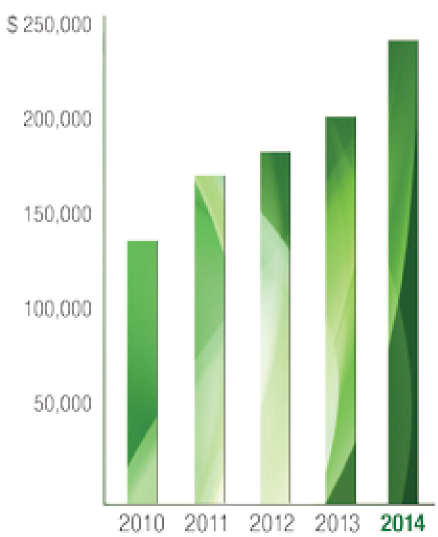
Amounts in thousands, except per share

Years Ended May 31	2014	2013	2012	2011	2010
Operations:					
Total Revenues	**$ 247,405**	$ 207,528	$ 184,046	$ 172,683	$ 140,509
Food Safety Sales	**116,290**	106,158	91,104	85,514	76,454
Animal Safety Sales	**131,115**	101,370	92,942	87,169	64,055
Operating Income	**43,391**	40,706	33,739	35,835	26,879
Net Income Attributable to Neogen	**$ 28,158**	$ 27,190	$ 22,513	$ 22,839	$ 17,521
Basic Net Income Per Share*	**$ 0.77**	$ 0.76	$ 0.64	$ 0.66	$ 0.52
Diluted Net Income Per Share*	**$ 0.76**	$ 0.75	$ 0.62	$ 0.64	$ 0.51
Average Diluted Shares Outstanding*	**37,267**	36,491	36,029	35,687	34,637

*Restated for the years 2010–2013

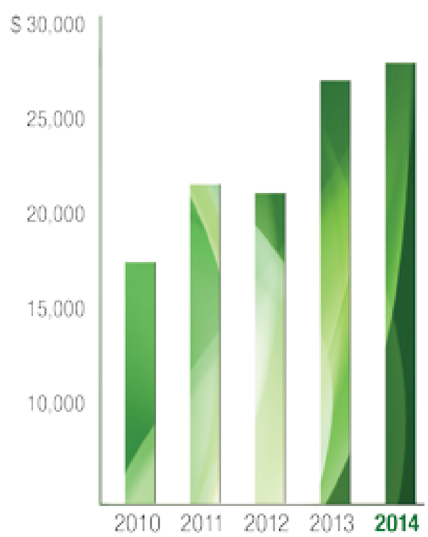
Total Revenues

Dollars in thousands



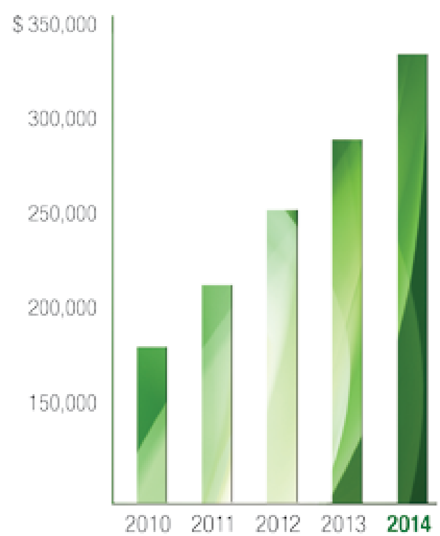
Net Income

Dollars in thousands



Total Assets

Dollars in thousands

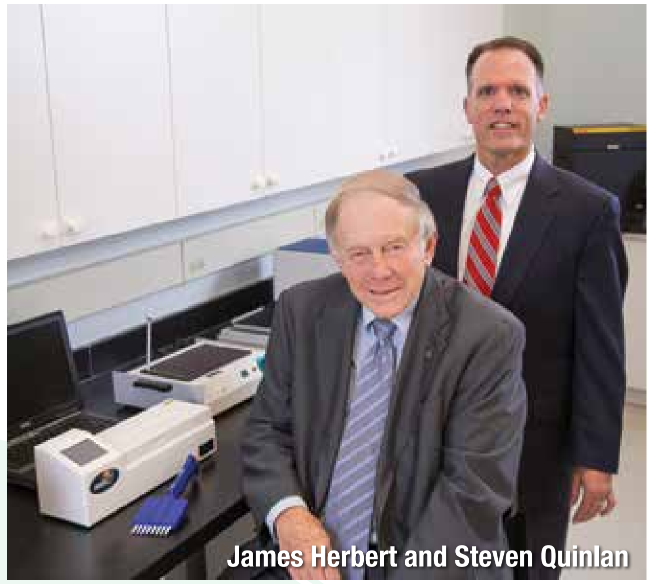


In thousands

Year Ended May 31	2014	2013	2012	2011	2010
Financial Strength:					
Cash and Marketable Securities	**$ 76,496**	$ 85,369	$ 68,645	$ 56,083	$ 22,806
Working Capital	**163,779**	150,728	123,962	104,705	68,987
Total Assets	**345,301**	290,558	251,600	219,662	180,233
Long-Term Debt	**–**	–	–	–	–
Equity	**306,300**	258,287	219,054	188,978	153,053

...and Neogen is also there.

Message from Management



James Herbert and Steven Quinlan

To our stockholders, employees and friends:

As we worked on this year's Annual Report, we thought the message might be Neogen's continuing role in worldwide food security. As we looked at all that is necessary to meet these challenges we repeatedly said to ourselves—"and Neogen is already there." I think a reader of this report might be surprised to find all of the places Neogen is helping to strengthen the global food chain.

Revenues for our 2014 fiscal year, which ended May 31, were up 19% to $247.4 million—a $40 million increase. Net income for the year was $28.2 million compared to the prior year's $27.2 million. Adjusting for our three-for-two stock split in October, earnings per share in the current year were $0.76 compared to $0.75 a year ago. Both revenues and net income were new all-time highs for our 32-year-old company.

The fourth quarter was the 89th quarter in the past 94 quarters that Neogen reported revenue increases as compared with the previous year. We believe this performance consistency over almost 24 years is important to Neogen investors.

This level of revenue growth has traditionally brought a strong increase in net income commensurate with the top line growth. We did not see the bottom line growth this year.

The big difference was our phenomenal 2013 year that made for tough comparisons in the current year. In fiscal 2013 we achieved a 21% increase in net income, as we took advantage of significant mycotoxin outbreaks in the corn and grain crops in the U.S., which called for more testing; Europe and Brazil crops had similar problems. In 2014, the crops were relatively clean. Our 2013 also had significant sales of higher gross margin speciation tests due to horse meat being found in ground beef; these sales tailed off in the second half of 2014. Opportunistic business captured in 2013 in our small animal supplements line was retained in 2014, however, at lower levels. These higher margin revenues were replaced with sales of other products, but at lower margins.

BIGGER MARKETS

Surveys show that in most countries food safety is one of the biggest current and future concerns. Food security concerns will also increase as the world population exceeds nine billion by 2050—about a two billion increase. However, perhaps the biggest story will be the increase in the global middle class that is expected to grow to over three billion people by 2020. This population will no longer be satisfied with a diet of plant-based starches, but will demand higher quality food, and especially animal proteins such as meat, milk, and eggs.

Already, food and animal safety challenges are mounting. The continuous rise in product recalls due to contamination will certainly increase the market-wide demand for our products. Some surveys predict that the total global food testing market may exceed $19 billion within five years. Though government regulations will undoubtedly have some impact, the major reasons we see food and animal testing increases today is increased producer responsibility. As an example, the Food Safety Modernization Act, intended to help the U.S. Food and Drug Administration exert more regulatory jurisdiction, is still not in effect. The Bill passed with bipartisan support in 2010, was signed into law in January 2011, and is still not being implemented.

BIGGER TEAM

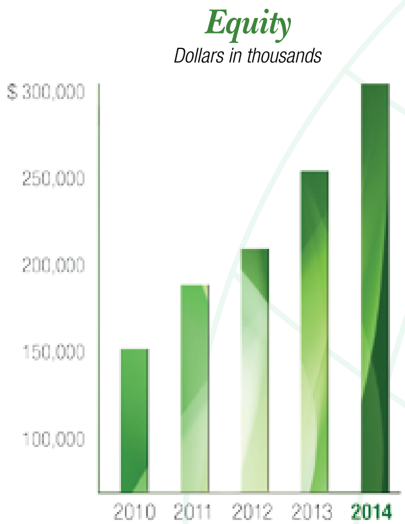
Neogen now has over 900 employees. This dedicated team has been responsible for our growth, as they develop new products and increase Neogen's share of growing markets. Our growth this year also came from three strategic acquisitions.

In July, we acquired the assets of SyrVet®, a strong veterinary instrument company that had competed with Neogen's Ideal Instrument products. They brought us products and customers we did not have access to previously. In November, Neogen acquired the assets of Prima Tech, which also brought some strong and unique veterinary instrument products, as well as an efficient manufacturing operation in North Carolina. These two acquisitions, coupled with our existing market-leading Ideal products, put us in a strong position to increase our share of the animal protein market.

In January, Neogen acquired Chem-Tech, an insecticide company based in Iowa. This gave us another important piece of biosecurity needs for animal protein production back inside the farm gate. These insecticides joined our already growing line of cleaners and disinfectants and rodenticides. We are excited about the opportunities to grow this business.

BIGGER PRODUCT OFFERING

In addition to the acquisitions, Neogen also developed several important new products during the fiscal year. Many of these were in

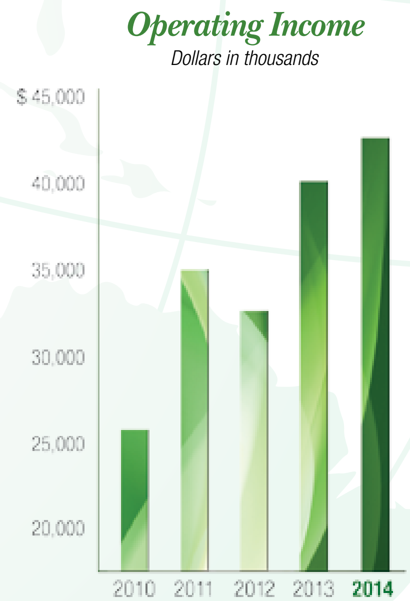


the category of consumable diagnostic test kits aimed at our current markets. New products from our GeneSeek® animal genomics business will be important as they provide animal producers with a scientific method to increase animal protein production. Our GeneSeek business increased 18% this year, and for the first time ever we analyzed over one million customer samples in our laboratories. This led to the building of a new genomics laboratory in Lincoln, Nebraska, that we believe is the top animal genomics laboratory in the U.S. This new facility will not only give us room for expansion but will also reduce our costs.

New test kits coming from our research team in Scotland have us positioned as the top supplier of diagnostic test kits to detect shellfish toxins. There are three important ones, but our new test detects the toxin that causes paralytic shellfish poisoning—potentially the most deadly. These toxins are the result of algal growth in ocean waters, and as ocean temperatures continue to increase, there is increased risk for algal growth in waters where shellfish are produced.

BIGGER GEOGRAPHICAL PRESENCE

Outside the U.S., Neogen uses over 100 independent distributors to reach many of our customers in 123 countries. We have strategically acquired and developed company-owned distribution in several important countries. Our Neogen Europe operation, headquartered in Ayr, Scotland, is responsible for food safety sales to end users in the UK, Ireland, Germany, France, and Holland. That organization continues to show double-digit growth with revenues this year up 24%. The Scotland team now numbers 130 people.



Mexico and Brazil are important pieces to our growth strategy since they will both show sharp increases in growth of their middle class and at the same time have production capacities to continue as major suppliers of food in other parts of the world. Revenues in Brazil increased 39% and revenues in Mexico 18% in the 2014 year.

Of course, when describing middle class population growth, one must look at China. Its middle class today is around 160 million people, second only to the U.S., and is expected to increase to about 800 million by 2030. Though Neogen has been in China for several years, we embarked on a new strategy by establishing our own facility and employees, and expect to grow rapidly through market share increases and potential acquisitions.

BIGGER OPPORTUNITIES FOR SYNERGY

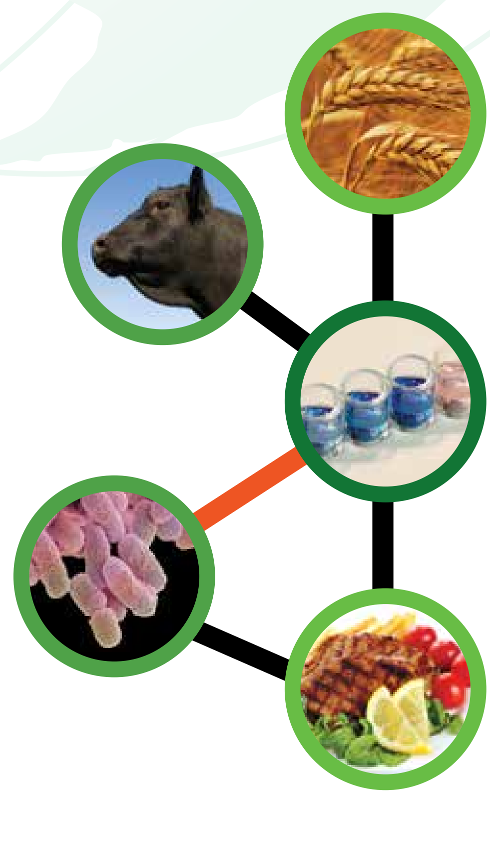
Neogen divides its business between food safety and animal safety. To a large degree, animal safety is just food safety back inside the farm gate. The synergy of products and services from these divisions continue to place Neogen as a universal supplier.

As is noted in the following pages, food's stay on the dinner plate is but a tiny step in the increasingly lengthy and complex global food chain. As we continue to serve that food chain we are increasingly able to say, "And Neogen is also there."

As we continue to grow our company through increased market share and new products, we also have opportunities to increase our acquisition activity. With a strong balance sheet and no borrowing we continue to look for opportunities that are synergistic with our mission of providing solutions for food and animal safety. We have completed 26 acquisitions since the year 2000 and all have been accretive at both the top line and the bottom line.

We will carefully look for the next acquisition that will allow us to continue saying,

"...and Neogen is also there."



James L. Herbert
Chairman and CEO

Steven J. Quinlan
Vice President and CFO

Strengthening the *global food chain*

Enhancing the quantity, quality and safety of the food supply

Food's short stay on the plate is but a final, tiny step in an increasingly lengthy and complex global food chain that can link far-flung producers, processors, distributors and retailers. The strength of the entire food chain relies on the individual strength of each and every one of its links.

One weak link can result in low quality and potentially unsafe food products reaching consumers, or not enough food being produced to meet the growing demand. One weak link can have dire consequences for consumers—and the companies and their brands perceived to be responsible for those consequences.

Neogen's products and services strengthen the entire length of the global food chain. From selecting the best breeding animals for ranchers, to ensuring the quality and safety of livestock and crops on ranches and farms of all types, to ensuring the quality and safety of aquaculture products harvested from our oceans, to ensuring the safe processing of the endless variety of global foods and their delivery to consumers, Neogen is there to enhance the quantity, quality, and safety of the global food supply.

On livestock ranches and farms, Neogen is there

VETERINARY GENOMICS

For beef and dairy products, the food chain begins with genomic testing to select the best beef and dairy bulls and heifers to produce the next generation of calves. This selection process can result in a more plentiful food supply that is safer, healthier and more environmentally efficient to produce.

Neogen's genomics business, including GeneSeek and Igenity, is the leading global provider of DNA testing for animal agribusiness and veterinary medicine. Neogen 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 make desirable cattle traits occur more frequently in the herd, and produce cattle that are more feed efficient and high in milk production.

Neogen's veterinary genomic success led its GeneSeek subsidiary to analyze more than one million customer samples in its laboratory in the past year for the first time in its 16-year history. The success also led to Neogen opening a new commercial genomics facility in May 2014 which more than doubled the size of its previous facility, with numerous improved operational efficiencies, to meet growing demand.

ANIMAL HEALTHCARE PRODUCTS

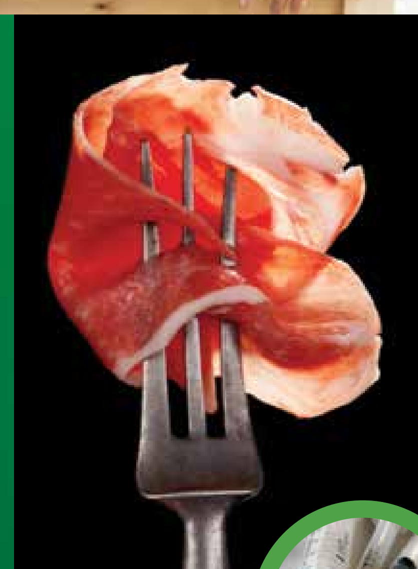
Neogen offers farmers and ranchers veterinary instruments, pharmaceuticals, supplements, wound care, vaccines, topicals, and diagnostic products to help ensure the health of the animals within livestock facilities. Healthy animals require less medication and are more resistant to disease.

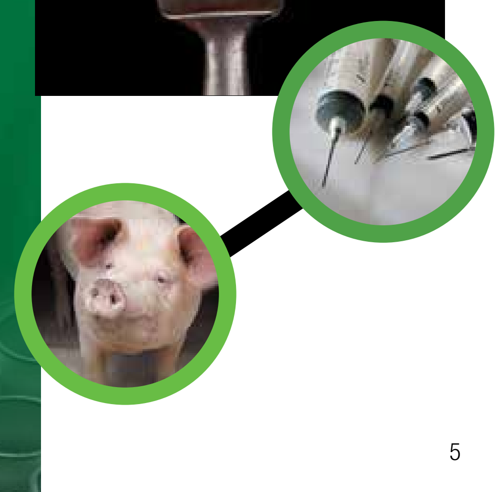
The company maintains a leadership role in the development of precision veterinary drug delivery instruments to help minimize drug residues that might otherwise find their way into meat and milk supplies. The company's line of patented detectable needles greatly lessen the chance that a broken needle would ever arrive on a dinner plate. Neogen also offers its veterinary products through a continuing program of supply agreements with major farm and ranch retailers.

Neogen enhanced its veterinary instrument offerings with its July 2013 acquisition of SyrVet Incorporated, an important supplier to farmers, ranchers, and veterinarians in more than 30 countries worldwide. SyrVet's product line ranges from animal handling products to sophisticated supplies for artificial insemination, and has earned the company significant shelf space in major farm store suppliers throughout the U.S.

Neogen's November 2013 acquisition of Prima Tech Incorporated also strengthened the company's veterinary instrument line. Prima Tech had become an important supplier of unique veterinary instruments in the U.S. and Europe, and its product line is designed around unique and highly accurate devices used by farmers, ranchers, and veterinarians to inject animals, provide topical applications, and to use for oral administration.

"*Neogen's products and services strengthen the entire length of the global food chain.*





ANIMAL FEED SAFETY

Neogen's quick and simple diagnostics for toxins and bacterial pathogens can ensure the safety of animal feed, and protect animal health. For example, Neogen's mycotoxin (toxins produced by molds growing on grains such as corn and wheat) tests can stop a problem before it starts. 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.

BIOSECURITY

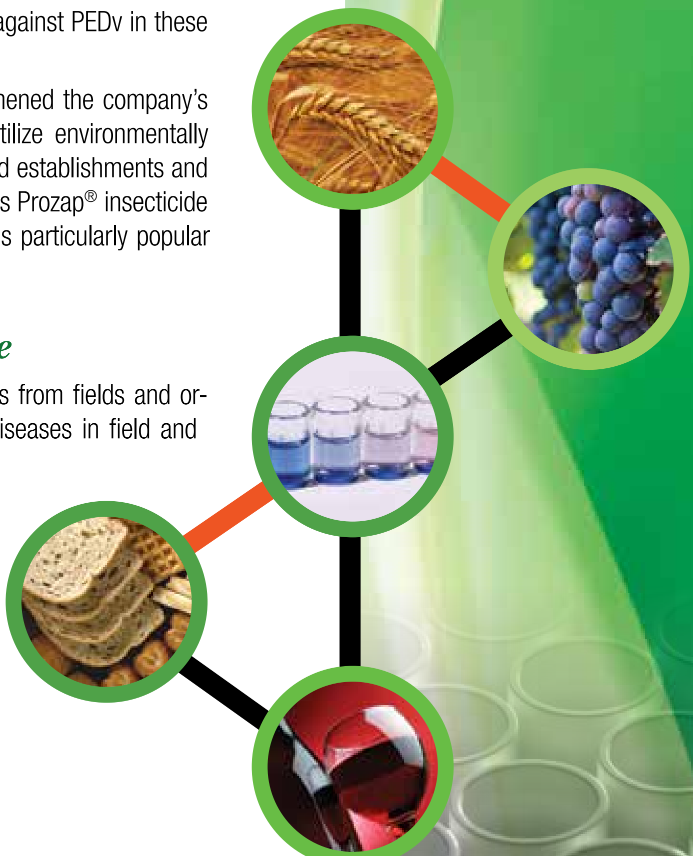
Enhancing the quantity and quality of food produced at livestock operations often relies upon raising livestock in an environment secure from biological threats—enhancing the animals' biosecurity. As shown in a recent outbreak of deadly porcine epidemic diarrhea virus (PEDv) that claimed an estimated seven million baby pigs in the U. S., lapses in biosecurity can have devastating consequences.

Neogen produces and markets a comprehensive line of agricultural biosecurity products, including rodenticides, insecticides, cleaners and disinfectants, to help protect livestock from the spread of dangerous diseases in large, modern integrated production facilities. In the past year, an independent study proved two of Neogen's disinfectants to be effective for use against PEDv in these types of facilities.

Neogen's January 2014 acquisition of Chem-Tech further strengthened the company's biosecurity offerings. Chem-Tech's highly effective insecticides utilize environmentally friendly technical formulas, and several are approved for use in food establishments and warehouses (e.g., for use to control moths in cereal). The company's Prozap® insecticide brand is well known in the large animal production industry, and is particularly popular with dairy producers.

In the Fields and Orchards, Neogen is there

Neogen enhances the quantity, quality and safety of food products from fields and orchards with its expertise and tests to rapidly detect toxins and diseases in field and orchard crops.



Neogen is a global leader in the development, manufacture and supply of innovative diagnostic products to detect a wide range of important viral, bacterial and fungal plant pathogens. The company's tests detect more than 250 plant pathogens in critical crops, such as potatoes, corn, wheat, rice, apples and tomatoes. (Among Neogen's products is a rapid test for *Phytophthora infestans*, commonly known as blight, which was responsible for the 19th century Irish potato famine.) The use of Neogen's diagnostics allows growers to quickly diagnosis and treat plant disease—before it can devastate the crop.

Neogen is also a leader in providing innovative diagnostic products to grain and nut producers and processors for the detection of mycotoxins, including aflatoxin and deoxynivalenol (DON). These simple tests can help ensure the quality and safety of grain and nut products destined to be used as human food, or as animal feed.

The company's comprehensive line of rodenticides also enhances the global food chain by protecting growing plants and harvested food products from the devastating effects of rodents. Estimates vary widely by crop and region, but as an example, the Food and Agriculture Organization of the United Nations estimates that up to 10% of Asia's annual rice crop is eaten by rats while it is still in the fields.

In Seafood Operations, Neogen is there

Neogen is also there to help ensure the safety and quality of food harvested from oceans and other aquaculture environments. The company offers the aquaculture industry its testing expertise, and comprehensive lines of rapid foodborne pathogen, sanitation monitoring, histamine, and shellfish toxin tests. Neogen's proven tests for histamine rapidly detect the presence of the toxin, which is a critical concern in the tuna industry for the quality and safety of its products.

In the past year, Neogen released a rapid test to detect a third shellfish toxin, one that causes paralytic shellfish poisoning (PSP). The test can be used in the field or in a lab, and is designed for use by harvesters and processors to test mussels, scallops, oysters, clams, and cockles. Neogen's test for the PSP toxin adds to the company's shellfish toxin line, which also includes tests to detect naturally occurring toxins that cause amnesic shellfish poisoning (ASP) and diarrhetic shellfish poisoning (DSP).

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Whether food products originate from a ranch, farm, field, orchard, sea, or other location, Neogen's products and services continue to help enhance their quantity, quality and safety throughout their processing.

In Food Processing Plants, Neogen is there

Whether food products originate from a ranch, farm, field, orchard, sea, or other location, Neogen's products and services continue to help enhance their quantity, quality and safety throughout their processing—whether that process is minimal or extensive.

DETECTING DRUG RESIDUES

Neogen remains a global leader in providing rapid drug residue tests to ensure the safety of meat and milk products. Neogen now has a vast array of drug residue tests used in food and animal applications, as well as for certain research and forensic uses, and is at the forefront of developing new tests to detect emergent drugs that may be used and abused throughout the world.

The company's line of diagnostics developed for the worldwide dairy industry includes a test that simultaneously detects beta-lactam

and tetracycline antibiotic residues in milk—BetaStar® Combo. As the use of both tetracycline and beta-lactam antibiotics for the management of mastitis in dairy herds has grown in certain regions of the world, so has the need for a single test to simultaneously detect both groups of antibiotics.

DETECTING FOOD ALLERGENS

Since their introduction in 1998, Neogen's rapid tests for food allergens have set the standard for simple and quick detection of these potentially dangerous residues. While many consumers would be unaffected by the unintentional, unlabeled inclusion of one of these food allergens in a product, millions of food allergic people worldwide still face dire consequences should they accidentally ingest a food allergen.

The unintentional inclusion of food allergens into non-allergenic foods remains a leading cause of food recalls, and is the subject of widespread global regulatory activity.

Neogen's screening and quantitative food allergen products include tests to detect almond, egg, gliadin/gluten, hazelnut, milk, mustard, peanut, sesame, shellfish, soy, and walnut residues. The company's simplest food allergen tests screen samples in parts per million in mere minutes.

DETECTING SPOILAGE ORGANISMS

While products contaminated with spoilage organisms, such as yeast and mold, do not carry consequences of the severity of pathogen contamination, spoilage organisms can drastically shorten product shelf-lives, and produce a variety of unwanted effects.

Neogen's Soleris® technology is used by the world's largest food and nutraceutical manufacturers to detect spoilage organisms in a fraction of the time needed for traditional testing methods. For example, testers using Soleris can measure a sample's yeast and mold count in as little as 48 hours, compared to five days for conventional methods.

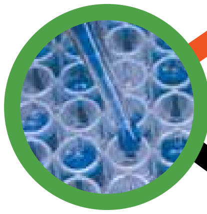
In the past year, Neogen introduced its NeoFilm™ products, which are extremely simple microbial tests that require only the inoculation of a fabric sample pad and an incubation period. The new tests were developed to offer advantages over similar available testing products, such as greater visual clarity and easier enumeration. NeoFilm tests are available for coliforms, *E. coli*, yeast and mold, *Staphylococcus aureus*, and aerobic bacteria.

> “ *Neogen is uniquely positioned with a comprehensive line of products and services, and expertise and experience, to help strengthen the global food chain.*

DETECTING MYCOTOXINS

Neogen's comprehensive line of tests for mycotoxins in grains and animal feeds help protect the health of poultry, swine, and dairy cattle—and the quality and safety of the food products for human consumption derived from numerous commodity grains. Mycotoxins have been shown to have long-term adverse health effects in humans, and can kill livestock and pets if ingested in sufficient quantities.

The company offers tests for six mycotoxins in several different formats, including incredibly easy tests that function like home pregnancy stick tests, and can deliver definitive, easy-to-interpret results in as little as two minutes. The almost immediate results mean that grain elevator staff, and quality control personnel in the food and feed industries, can obtain results in minutes, and reject contaminated ingredients before they can even enter the food chain.



SANITATION MONITORING

The food industry's work to produce the safest, highest quality products can be undone by contamination of the products caused by residue that remains after an incomplete cleaning and disinfection effort. The simplicity of Neogen's AccuPoint® 2 ATP (adenosine triphosphate) Sanitation Monitoring System makes it a valuable tool throughout the food industry, including food service providers, caterers and grocery delis, and manufacturers of soft drinks and bottled water, to ensure effective sanitation programs.

Using an ATP system is an easy and quick gauge of a facility's cleanliness, and is easily customized for the specific equipment, people, product, and processes used in any food production facility. In just seconds, the advanced system produces objective, recordable and traceable test results.

DETECTING FOODBORNE PATHOGENS

Protecting the global food chain from the presence of foodborne pathogens is paramount, as pathogens such as *Salmonella*, *Listeria* and *E. coli* O157:H7 carry serious consequences for consumers.

Neogen's ANSR® test system is the quickest and easiest testing method to definitively detect pathogen DNA in food and environmental samples—providing results in as little as 20 minutes. Other commercially available molecular amplification tests require up to 3 hours. The company's simple Reveal® line of pathogen tests are easy-to-use and interpret.

Neogen's tests help food producers protect their brands, and reputation, from possibly the biggest risk they face in the marketplace—shipping products tainted with a known pathogen.

VERIFYING MEAT SPECIATION

To ensure the integrity of the global food chain, and address the growing global concern of economic adulteration and food fraud, Neogen offers simple tests to verify the species of a meat product. The company was the leader in containing last year's horse meat scandal. The meat speciation tests can detect adulteration at as little as 1 percent of mislabeled horse, beef, pig, poultry or sheep meat. Additional tests are available for other species, including some species of fish.

Neogen is also here

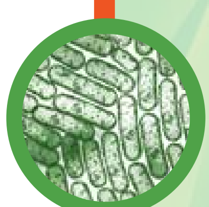
LIFE SCIENCES

Products aimed at Neogen's Life Sciences market include its drug detection test kits. Recently, Neogen added to its more than 100 drug detection tests that can be used to detect more than 300 drugs and/or their metabolites. Neogen also supplies drug detection kits to the forensic toxicology market for the analysis of hair, urine, blood, and other types of forensic samples.

The tests are sold by Neogen sales representatives to laboratories and end users worldwide for the detection of abused and therapeutic drugs in humans, racing and food animals, and in meat products.

ACUMEDIA® DEHYDRATED CULTURE MEDIA

Acumedia, a subsidiary of Neogen Corporation, has been a premier manufacturer of high quality dehydrated culture media (DCM) since 1978 for industrial, biotech, food safety, and life science applications. Acumedia produces over 225 different catalog formulations, and well over 200 different customized formulations. The company's extensive experience, combined with a commitment to quality, ensure the consistency of our products. Through its highly flexible and modern facilities, Acumedia routinely produces product volumes necessary for large industrial applications, to smaller volumes in specific custom formulations.



VETERINARY PERFORMANCE AND COMPANION ANIMAL PRODUCTS

Neogen's products and services also include safety solutions for performance and companion animals. The company manufactures and markets pharmaceuticals, vaccines, and diagnostic products for these animals. Neogen's equine health line includes EqStim®, a proven, safe immunostimulant, which boosts the immune response of horses to help combat respiratory ailments. The company's BotVax® B has protected thousands of horses against *Clostridium botulinum* type B. Neogen also produces a number of products to treat or protect small animals, such as thyroid deficiency treatment options.

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 the Company's 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 but not limited to, 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 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 have been met, these revenues are initially deferred and later recognized in the period that all recognition criteria has been met.

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 doubtful accounts 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 to the allowance for doubtful 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

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. Other intangible assets include customer relationships, trademarks, licenses, trade names, covenants not-to-compete 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, or when indications of impairment exist, to determine if such assets may be impaired. If the Company's qualitative assessment concludes that it is more likely than not that an impairment exists, or the Company skips the qualitative assessment, then the Company performs a quantitative assessment. 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.

Long-lived Assets

Management reviews the carrying values of its long-lived assets to be held and used, including definite-lived intangible assets, for possible impairment whenever events or changes in business conditions warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated separately identifiable undiscounted cash flows over the remaining useful life of the asset indicate that the carrying amount of the assets may not be recoverable. In such an event, fair value is determined using discounted cash flows and if lower than the carrying value, impairment is recognized through a charge to operations.

Equity Compensation Plans

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 could 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. 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.

RESULTS OF OPERATIONS

Executive Overview

Neogen Corporation achieved total revenue of $247.4 million in fiscal 2014, a 19% increase compared to revenue of $207.5 million in fiscal 2013. Net income attributable to Neogen for fiscal 2014 increased 4% to $28.2 million, or $0.76 per fully diluted share, compared to $27.2 million, or $0.75 per fully diluted share, in fiscal 2013. Cash flow from operations for fiscal 2014 was $21.7 million compared to $26.6 million in fiscal 2013.

The Company's Food Safety segment revenues were $116.3 million in fiscal 2014, up 10% compared to the prior year. Animal Safety segment revenues increased $29.7 million, or 29%, to $131.1 million in fiscal 2014 as compared to fiscal 2013.

In fiscal 2014, the Company benefitted from recent acquisitions, which added revenue totaling $23.7 million during the year. The SyrVet acquisition in July 2013 helped Neogen gain market share, especially internationally, in needles and other veterinary instruments. Prima Tech, acquired in November 2013, offered products complementary to Neogen's existing product offerings with particular expertise and presence in medicine delivery and marking systems in the poultry and swine markets. In January 2014 Neogen acquired Chem-Tech, a manufacturer of environmentally friendly insecticides for the animal and food industries; this business has enhanced the Company's biosecurity product portfolio for animal protein producers.

Consolidated gross margins decreased from 52.8% in fiscal 2013 to 49.6% in fiscal 2014, due primarily to acquisitions in the Animal Safety segment, which has lower margins overall than the Food Safety segment. Additionally, fiscal 2013 gross margins were unusually high due to favorable product mix within each of the Food Safety and Animal Safety segments. Operating expenses expressed as a percentage of revenues decreased from 33.1% in 2013 to 32.0% in fiscal 2014, as the Company was able to successfully integrate recent acquisitions into its operations.

International sales were $96.1 million, or 38.8% of total sales, in fiscal 2014 compared to $83.2 million, or 40.1%, in fiscal 2013. Sales from the Chem-Tech acquisition were all domestic, which contributed to the decline of international sales as a percentage of the total. Neogen Europe recorded a revenue increase of 24% in fiscal 2014, led by genomics and forensics sales. Neogen Latinoamérica and Neogen do Brasil continued to penetrate their markets, with increases of 18% and 39%, respectively, compared to the prior year.

Service revenue from DNA testing increased 18% from $23.4 million in fiscal 2013 to $27.7 million in fiscal 2014. The increase was driven by successful commercialization of a number of proprietary service offerings introduced toward the end of the prior year, new service offerings developed specifically for some key breed associations and the completion of a number of large projects during the year.

Revenues

(Dollars in thousands)	Twelve Months Ended May 31, 2014	Increase/ (Decrease)	May 31, 2013	Increase/ (Decrease)	May 31, 2012
Food Safety:					
Natural Toxins, Allergens and Drug Residues	$ 60,336	5%	$ 57,394	20%	$ 47,993
Bacterial and General Sanitation	24,866	13%	21,954	6%	20,676
Dehydrated Culture Media and Other	31,088	16%	26,810	20%	22,435
	116,290	10%	106,158	17%	91,104
Animal Safety:					
Life Sciences	7,528	(3%)	7,739	(6%)	8,190
Veterinary Instruments and Disposables	28,412	70%	16,682	(1%)	16,808
Animal Care and Other	35,547	20%	29,612	29%	22,961
Rodenticides, Insecticides and Disinfectants	36,702	35%	27,130	2%	26,491
DNA Testing	22,926	14%	20,207	9%	18,492
	131,115	29%	101,370	9%	92,942
Total Revenues	$ 247,405	19%	$ 207,528	13%	$ 184,046

Year Ended May 31, 2014 Compared to Year Ended May 31, 2013

The Company's Food Safety segment revenues were $116.3 million in fiscal 2014, up 10% compared to fiscal 2013, with increases in each major product category. Sales of Natural Toxins, Allergens and Drug Residues increased 5% in fiscal 2014 compared to the prior year. Allergen sales, including meat speciation kits, increased 18%, as food product recalls caused by mislabeled products containing allergenic components helped drive increased testing. Sales of test kits in the Drug Residue product line, which are used to detect the presence of antibiotics in dairy milk, rose by 8% compared to the prior year, driven by increases in Europe and Brazil. Sales of Natural Toxins test kits declined 3% as strong sales of test kits, readers and accessories in the prior year resulting from significant aflatoxin and DON outbreaks in both the U.S. and Europe did not repeat in fiscal 2014, as crops in the U.S. were relatively clean.

Bacterial and General Sanitation revenues increased 13% in the current fiscal year compared to the prior year. Within this category, ampoule media and filter sales increased 32% over the prior year as the Company increased market share in this product line particularly in the beverage industry. The Soleris product line, which detects spoilage organisms such as yeast and mold, increased 17%, primarily due to gains in Europe, Mexico and the domestic beverage market, while the AccuPoint line, designed to measure environmental cleanliness, increased 18%, both compared to the prior year, due to focused marketing programs. Offsetting these gains, Pathogen sales were down 4% in fiscal 2014 compared to fiscal 2013, due primarily to lower ANSR equipment sales.

Dehydrated Culture Media and Other revenues increased 16% over last year. Genomics service revenues and life sciences products sold through Neogen Europe to European customers led the growth in this category. Sales of dehydrated culture media to Food Safety customers increased by 20% compared to the prior year, led by strong performance in the U.S. commercial labs market as the Company secured new business at the corporate level with several large labs. However, sales of Acumedia products to international distributors and domestic industrial customers only increased 2%, with both sales groups having large revenue increases in the prior year.

The Company's Animal Safety segment revenues were $131.1 million for the year ended May 31, 2014, an increase of $29.7 million, or 29%, compared to the same period in the prior year. The segment benefitted from three acquisitions the Company completed during fiscal 2014; these acquisitions and the two acquisitions completed in fiscal 2013 contributed $23.7 million in revenues in fiscal 2014. Organic growth for the segment was 6% in fiscal 2014.

Life Sciences product revenue declined by 3% in fiscal 2014 compared to fiscal 2013, primarily due to continuing weakness in racing kits revenues, the result of fewer racetracks in the U.S., and consolidation of state testing labs. Additionally, approximately $700,000 in substrate business was transferred to Neogen Europe in fiscal 2014, which reports through the Food Safety segment, to better support the customer base in Europe with the Company's sales and support staff located there. Offsetting these declines was a 21% increase in forensic kit sales, the result of new business and increased volume from existing customers.

Veterinary Instruments and Disposables revenues were $28.4 million in fiscal 2014, an increase of 70% compared to fiscal 2013. This line benefitted from the acquisitions of SyrVet in July 2013, and Prima Tech in November 2013; both of these businesses were focused on veterinary instruments. Growth in this line excluding acquisitions was 4%. The Company's patented line of detectable needles continued its consistent growth history with an organic increase of 11%. Sales of shoulder gloves increased 17% organically, as the SyrVet acquisition helped the Company to gain market share with a more robust product line. Sales of disposable syringes were down due to order timing from a large international customer. Also, specialty needle sales were down 29%, due to a customer's change in protocol which led to lower volumes of needle use.

Growth in Animal Care and Other products was 20% in fiscal 2014; organic growth was 4%, the remainder from acquisitions, primarily animal marking products from Prima Tech, hoof and leg care items from SyrVet and veterinary antibiotics from Macleod. Within this product line, sales of joint supplements for horses and dogs increased 94% due to market supply disruptions, while wound dressing revenues rose 28% as the Company increased private label sales and gained market share. Vaccine sales for equine botulism Type B increased 10%, reversing two years of declining sales as the equine market rebounded in fiscal 2014. These increases offset a 14% decline in sales of the Company's canine thyroid replacement products; the decline was the result of a difficult comparative year, as fiscal 2013 sales were extraordinarily high due to competitor shutdowns. While the Company retained a portion of its increased market share from fiscal 2013, all competitors of this product line were operating for the entire year in fiscal 2014.

Sales of Rodenticides, Insecticides and Disinfectants, the Company's biosecurity product offerings, rose 35% for the year. The Company's purchase of Chem-Tech, a manufacturer and marketer of insecticides in January 2014 provided $7.2 million of the $9.6 million increase. Organic growth was 9% in this product line, with particular strength in the Company's cleaners and disinfectants, up 22% for the year. These increases resulted from a number of disease outbreaks during the year, such as avian influenza and porcine virus, which raised awareness of the necessity of cleaning and disinfecting animal facilities. Offsetting these increases was a 4% decline in rodenticides, primarily due to adverse weather conditions in the sugar cane industry in Puerto Rico, one of the Company's key markets. Additionally, the Company's evaluation of economic conditions and risks in countries such as Venezuela resulted in lower credit limits for some customers in those countries, with lower resultant sales.

DNA Testing revenues, excluding sales through Neogen Europe and Neogen do Brasil, increased 14% in fiscal 2014 compared to fiscal 2013, due primarily to continued strength in products introduced in the latter half of fiscal 2013, and new products for the detection of developmental defects in cattle, introduced in fiscal 2014. The customizable nature of the new proprietary offerings allowed the Company to expand market share with beef breed associations. Additionally, revenues for canine genotyping rose $660,000 in fiscal 2014, primarily due to the Company's relationship with a number of canine associations.

Year Ended May 31, 2013 Compared to Year Ended May 31, 2012

The Company's Food Safety segment revenues were $106.2 million in fiscal 2013, 17% higher than fiscal 2012, with increases in each major product category. Sales of Natural Toxins, Allergens and Drug Residues products increased 20% in fiscal 2013 compared to the prior year. The increase was led by sales of aflatoxin test kits, readers, and accessories, resulting from an outbreak in the United States caused by unusually hot and dry conditions. Additionally, cool wet growing conditions in Germany in fall 2012 contributed to an outbreak of deoxynivalenol, or DON, in the small grains crop, and resulted in increased sales of the Company's test kits to detect the toxin. Allergen test kit revenues continued to achieve solid growth with an increase of 24% in fiscal 2013 compared to fiscal 2012. This product line had food allergen kit growth of 16% this year, and also benefitted from a significant increase in demand for meat speciation testing in Europe in the second half of fiscal 2013, the result of the discovery of mislabeled meat products. Originally, horse meat was found in products labeled as beef; further testing also found instances of pork and other meat products in beef, as well as tilapia being sold as whitefish. These are all examples of economic adulteration of food, which has become quite problematic within the food safety industry, and should result in higher ongoing levels of speciation testing in the future. Also in this category, sales of Drug Residues products, primarily used to determine the presence of antibiotics in raw fluid milk from dairy animals, increased 3% compared to the prior year.

Sales of Bacterial and General Sanitation products increased 6% in fiscal 2013, compared with fiscal 2012. Within this category, General Sanitation products, designed to measure environmental cleanliness, achieved growth of 7%; increased sales of filters and ampoule media products, the result of increased penetration in the beverage segment, more than offset lower equipment sales to international markets. The Company's line of pathogen testing products grew by 3% in fiscal 2013; the new ANSR pathogen detection system gained traction during the latter half of the year, assisted by a focused marketing program.

Dehydrated Culture Media and Other Sales increased 20% for the year. Contributions from genomics service revenues to European customers resulting from increased sales staffing and the introduction of new service offerings, led the growth in the category. Sales of Acumedia products to traditional markets in the U.S. were up 17% over a weak fiscal 2012. Additionally, customers affected by the aflatoxin and DON outbreaks significantly increased purchases of miscellaneous lab supplies necessary for processing samples, which are recorded in this category.

Revenue for the Animal Safety segment was $101.4 million, an increase of 9% compared to fiscal 2012. The acquisitions of Igenity, Macleod Pharmaceuticals and Scidera Genomics contributed $5.8 million to revenues in this segment in fiscal 2013.

Life Sciences and Other revenues decreased 6% in fiscal 2013 compared to fiscal 2012. Within this category, racing kits were down 18% due to state lab closures and consolidations and the continued decline of the racing industry in the U.S. Food residues were down 28% due to lower ractopamine kit sales from lost business in China as government laboratories there began purchasing kits made by Chinese manufacturers; further, a large user of this kit ceased using ractopamine, a feed additive used to promote leanness in animals in its operations, and stopped buying the Company's kits. Partially offsetting these losses was a 4% increase in sales to the forensics market.

Veterinary Instruments and Disposables revenues were down 1% in fiscal 2013 compared to fiscal 2012. Sales of detectable needles increased 11% but were offset by the loss of business to a large customer during fiscal 2012.

Animal Care and Other revenues increased 29% compared to the prior year. Within this category, the Company benefitted from sales of the veterinary antibiotic, Uniprim, acquired in the Macleod Pharmaceuticals purchase, and a 113% increase in the small animal supplements line due to new business captured on canine thyroid replacement products. Partially offsetting these gains were a 27% decrease in vitamin supplements, due to unusually high prior year sales caused by products coming off backorder and a decline in the number of cattle, and a 13% decrease in hoof and leg care products, due to lower animal counts and difficult financial conditions in the dairy industry.

Rodenticide, Insecticides and Disinfectant revenues increased by 2% compared to fiscal 2012. Rodenticide sales increased 20% due to seasonal conditions, new product formulations, marketing campaigns, and a prior year which was negatively affected by EPA labeling changes. Almost entirely offsetting this increase was an 11% decrease in lower-margin sales of cleaners and disinfectants. The decrease was primarily due to competition from lower-priced generics, particularly internationally, lack of disease outbreak for most of the year, which led to lower demand, and timing of large international orders.

DNA Testing revenues increased 9% in fiscal 2013 compared to the prior year. The Company gained new business resulting from the Igenity and Scidera Genomics acquisitions and had strong market acceptance of new products for cattle parentage testing in the latter half of the year.

Cost of Revenues

(Dollars in thousands)	**2014**	**Increase**	2013	Increase	2012
Cost of Revenues	**$ 124,807**	**27%**	$ 98,034	7%	$ 91,621

Cost of revenues increased 27% in fiscal 2014 and 7% in fiscal 2013 in comparison with the prior years. This compares with revenue increases of 19% and 13%, respectively. Expressed as a percentage of revenues, cost of revenues was 50%, 47%, and 50% in fiscal years 2014, 2013 and 2012, respectively. The increase in cost of revenues, expressed as a percentage of sales, and the corresponding decline in gross margin percentage, in fiscal 2014 compared to fiscal 2013, is due to the overall shift in revenues towards Animal Safety products, and product mix shifts within each segment. Animal Safety segment sales were 53% of overall sales in fiscal 2014, compared to 49% in fiscal 2013. The improvement in gross margins, expressed as a percentage of sales, in fiscal 2013 compared to fiscal 2012, was due to a higher proportion of Food Safety revenues to the overall total, and favorable product mix within both the Animal Safety and Food Safety segments.

Food Safety gross margins were 63%, 64% and 65% in fiscal years 2014, 2013 and 2012, respectively. The changes in margins between periods relate primarily to changes in product mix. In fiscal 2014, the mix shift was primarily the result of lower sales of mycotoxin test kits, due to crops that were largely free of the natural toxins aflatoxin and deoxynivalenol, which had contributed to strong sales of the Company's mycotoxin test kits in fiscal 2013. The lower mycotoxin revenues in fiscal 2014 were replaced with higher revenues in other product lines, such as dehydrated culture media, which had lower gross margin percentages.

Animal Safety gross margins were 38%, 41% and 36% in fiscal years 2014, 2013 and 2012, respectively. The decrease in gross margin percentage in fiscal 2014 was due primarily to the three acquisitions completed this year, and product mix shifts within the segment during the year resulting from lower sales of small animal supplements as a market supply disruption was resolved, and lower rodenticide revenues, which carry relatively high gross margins within the segment, due to poor weather and difficult economic conditions in a number of international markets. Additionally, margins in the agrigenomics business declined in fiscal 2014 as the result of the completion of a number of larger, lower margin projects, inefficiencies caused by a spike in volume and excessive manual handling of samples. The gross margin improvement in fiscal 2013 compared to fiscal 2012 was the result of a favorable shift in product mix resulting from higher sales in several higher margin product lines, including small animal supplements, rodenticides and the Uniprim equine antibiotic.

Operating Expenses

(Dollars in thousands)	**2014**	**Increase**	2013	Increase	2012
Sales and Marketing	**$ 46,432**	**14%**	$ 40,791	16%	$ 35,026
General and Administrative	**24,449**	**21%**	20,216	19%	17,024
Research and Development	**8,326**	**7%**	7,781	17%	6,636

Sales and marketing expenses increased by 14% in fiscal 2014 and by 16% in fiscal 2013, each compared with the prior year. As a percentage of sales, sales and marketing expense was 19%, 20% and 19% in fiscal years 2014, 2013 and 2012, respectively. The Company has continued to add personnel to increase its sales and marketing capabilities worldwide, and the largest components of increases in this expense category are salaries and commissions, which increased 11% in fiscal 2014 and 15% in fiscal 2013. Other significant increases in both fiscal years were for royalties, based on increased sales of products requiring royalty payments, advertising and distributor marketing support, and shipping expenses, both domestic and international.

General and administrative expenses increased 21% in fiscal 2014 compared to fiscal 2013 and by 19% in fiscal 2013 compared to fiscal 2012. The increases in fiscal years 2014 and 2013, respectively, are primarily due to increased salary and other personnel related expenses, higher stock option expense and increased amortization of intangible assets resulting from the Company's recent acquisitions. The Company continues to make investments in its information technology infrastructure, and recognized a 25% increase in depreciation expense in fiscal 2014, for computers, servers and networking equipment, and additional license fees and support for the operating systems the Company deploys.

Research and development expenses increased 7% in fiscal 2014 compared to fiscal 2013 and by 17% in fiscal 2013 compared to fiscal 2012.

As a percentage of revenue, these expenses were 3% in fiscal 2014, and 4% in fiscal years 2013 and 2012. The decline in expenditures, expressed as a percentage of revenue, is attributable to the recent acquisitions the Company completed, which contributed $23.7 million in revenue, with products which generally require relatively less investment in research and development. The Company continues to increase spending for research and development; such expenditures have increased $1.7 million since fiscal 2012. For those products requiring support by research and development, which are primarily Food Safety diagnostics products, the Company estimates that it spends 8–10% of revenues in its research and development efforts and expects to continue to spend 3% to 5% of total revenue on research and development annually.

Operating Income

(Dollars in thousands)	**2014**	**Increase**	2013	Increase	2012
Operating Income	**$ 43,391**	**7%**	$ 40,706	21%	$ 33,739

The Company's operating income increased by 7% in fiscal 2014 compared to fiscal 2013, and by 21% in fiscal 2013 compared to fiscal 2012. Expressed as a percentage of revenues, it was 18%, 20% and 18% in fiscal years 2014, 2013 and 2012, respectively. The increase of 7% in operating income was largely the result of the 19% increase in revenues; however, product mix shifts within both the Food Safety and Animal Safety segments towards lower margin products, and the lower gross margins from the three acquisitions, resulted in a 320 basis point reduction in the overall gross margin percentage, and was the primary reason operating income as a percentage of revenues declined from 20% in fiscal 2013 to 18% in fiscal 2014.

The increase in operating income in fiscal 2013 overall and expressed at a percentage of revenue, was driven by the 13% increase in revenues, which when combined with improved gross margins compared to fiscal 2012, more than offset increased operating expenses for that year.

Historically, the Company has been successful in improving its operating income from revenue and gross margin growth from existing products and acquisitions, while controlling manufacturing, distribution and administrative costs. During fiscal 2014, the Company continued to control its overall operating expenses and grew its operating income; however, gross margin compression adversely impacted the rate of that growth to below the rate of increase in revenues.

Other Income (Expense)

(Dollars in thousands)	**2014**	**Decrease**	2013	Increase	2012
Other Income (Expense)	**$ (360)**	**(183%)**	$ 435	335%	$ 100

Other Income (Expense) consists principally of royalty income, interest income from investing the Company's excess cash balances, the impact of foreign currency transactions, adjustments to contingent considerations and other miscellaneous items.

In fiscal 2014, Other Income (Expense) consisted primarily of losses on foreign currency translations of $717,000 most of which occurred in the year's first quarter, partially offset by $231,000 in royalty income and $115,000 in interest income.

In fiscal 2013, Other Income primarily consisted of royalty income totaling $364,000, interest income of $144,000, and $100,000 for the reversal of the contingent consideration obligation relating to the Igenity acquisition, due to lower than projected sales for the first year. This was offset by $113,000 of contingent consideration expense for the final year relating to the GeneSeek acquisition and losses on foreign currency transactions totaling $166,000.

In fiscal 2012, Other Income primarily consisted of royalty income totaling $329,000, interest income of $107,000, and $154,000 for the reversal of the contingent consideration obligation relating to the GeneSeek acquisition, due to lower than projected profitability for the year, offset by losses on foreign currency transactions totaling $531,000.

Provision for Income Taxes

(Dollars in thousands)	**2014**	**Increase**	2013	Increase	2012
Provision for Income Taxes	**$ 15,000**	**6%**	$ 14,100	23%	$ 11,450

The tax provision was 35% of pretax income in fiscal 2014, 34% in fiscal 2013 and 34% in fiscal 2012. Fluctuations in the tax rate from the 35% statutory corporate rate is primarily due to tax credits related to manufacturing and R&D activities partially offset by the provision for state taxes. The effective tax rate increased slightly in fiscal 2014, due to the expiration of the credit for R & D activities as of December 31, 2013. The effective rate for fiscal 2013 was 34.3% compared to 33.7% in fiscal 2012. The fiscal 2012 rate was affected by a favorable adjustment of $550,000 due to the conclusion of an Internal Revenue Service audit through the Company's 2010 fiscal year, which resulted in no additional taxes owing. The favorable adjustment to income tax expense resulted in an effective tax rate of 33.7% for fiscal 2012. Absent the adjustment, the Company's fiscal 2012 tax rate would have been 35.5% compared to 34.9% in fiscal 2014 and 34.3% in fiscal 2013.

Net Income and Net Income Per Share

(Dollars in thousands, except per share data)	2014	Increase	2013	Increase	2012
Net Income Attributable to Neogen	**$ 28,158**	**4%**	$ 27,190	21%	$ 22,513
Net Income Per Share – Basic	**$ 0.77**		$ 0.76		$ 0.64
Net Income Per Share – Diluted	**$ 0.76**		$ 0.75		$ 0.62

Net income increased by 4% in fiscal 2014 and increased by 21% in fiscal 2013 in comparison with the prior year. As a percentage of revenue, net income was 11% in fiscal 2014, 13% in fiscal 2013 and 12% in fiscal 2012.

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 or increasing 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 product categories or create new products or services.

FINANCIAL CONDITION AND LIQUIDITY

On May 31, 2014, the Company had $40.7 million in cash and cash equivalents, $35.8 million in marketable securities, and working capital of $163.8 million. The Company has a financing agreement with a bank providing for an unsecured revolving line of credit of $12.0 million which was amended in May 2014 to extend the expiration to September 1, 2017. There were no advances against this line of credit during fiscal years 2014, 2013 and 2012, and no balance outstanding at May 31, 2014 and 2013. For the year ended May 31, 2014, cash generated from operating activities was $21.7 million; proceeds from stock option activity provided an additional $14.9 million of cash. For the same period, additions to property and equipment and business acquisitions used cash of $11.5 million and $39.3 million, respectively.

Accounts receivable at May 31, 2014 increased $13.2 million, or 34%, compared to May 31, 2013, primarily due to the increase in revenues. Days sales outstanding, a measurement of the time it takes to collect receivables, increased from 57 days at May 31, 2013 to 64 days at May 31, 2014; the increase is due primarily to slower collections on international balances, and, to a lesser extent, the timing of revenues generated in the last two months of each fiscal year. These accounts are being actively managed and no losses thereon in excess of amounts reserved are currently expected.

Inventory levels increased by $12.9 million or 34%, in fiscal 2014 compared to May 31, 2013. Approximately $8.7 million of the increase resulted from the three acquisitions the Company completed in fiscal 2014. The Company has instituted procedures to rationalize redundant product lines resulting from the acquisitions and has renewed focus on programs aimed at minimizing inventory levels and improving inventory turnover.

Neogen has been profitable from operations for its last 85 quarters and has generated positive cash flow from operations during this period. However, the Company's cash on hand and current borrowing availability may not be sufficient to meet the Company's cash requirements to commercialize products currently under development or its potential 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 have not had, and, in the opinion of management, are not expected to 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	1,093	470	528	95	–
Unconditional Purchase Obligations	44,282	44,282	–	–	–
	$ 45,375	$ 44,752	$ 528	$ 95	$ –

New Accounting Pronouncements

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

Neogen Corporation and Subsidiaries: Consolidated Balance Sheets

Assets *(In thousands)*

	Year ended May 31 2014	2013
Current Assets		
Cash and cash equivalents	**$ 40,675**	$ 50,032
Marketable securities	**35,821**	35,337
Accounts receivable, less allowance of $1,200 and $900 at May 31, 2014 and 2013	**51,901**	38,737
Inventories	**51,178**	38,315
Deferred income taxes	**1,710**	1,462
Prepaid expenses and other current assets	**7,461**	4,564
Total Current Assets	**188,746**	168,447
Property and Equipment		
Land and improvements	**1,875**	1,669
Buildings and improvements	**26,456**	22,779
Machinery and equipment	**40,333**	33,060
Furniture and fixtures	**2,282**	1,021
Construction in progress	**1,659**	1,561
	72,605	60,090
Less accumulated depreciation	**30,656**	25,745
Net Property and Equipment	**41,949**	34,345
Other Assets		
Goodwill	**68,190**	59,491
Other non-amortizable intangible assets	**9,682**	6,660
Amortizable customer-based intangibles, net of accumulated amortization of $11,915 and $9,446 at May 31, 2014 and 2013	**25,230**	12,345
Other non-current assets, net of accumulated amortization of $5,494 and $4,222 at May 31, 2014 and 2013	**11,504**	9,270
Total Other Assets	**114,606**	87,766
	$ 345,301	$ 290,558

Liabilities and Equity *(In thousands, except share and per share)*

	2014	2013
Current Liabilities		
Accounts payable	**$ 13,396**	$ 9,212
Accruals		
Compensation and benefits	**4,357**	3,227
Federal income taxes	**–**	165
Other	**7,214**	5,115
Total Current Liabilities	**24,967**	17,719
Deferred Income Taxes	**12,155**	12,449
Other Long-Term Liabilities	**1,879**	2,103
Total Liabilities	**39,001**	32,271
Commitments and contingencies (note 7)		
Equity		
Preferred stock, $1.00 par value - shares authorized 100,000; none issued and outstanding	**–**	–
Common stock, $0.16 par value - shares authorized 60,000,000; 36,732,313 and 36,084,021 shares issued and outstanding at May 31, 2014 and 2013	**5,877**	5,773
Additional paid-in capital	**118,070**	99,935
Accumulated other comprehensive income (loss)	**371**	(1,372)
Retained earnings	**182,043**	153,885
Total Neogen Corporation and Subsidiaries Stockholders' Equity	**306,361**	258,221
Non-controlling interest	**(61)**	66
Total Equity	**306,300**	258,287
	$ 345,301	$ 290,558

See accompanying notes to consolidated financial statements.

Neogen Corporation and Subsidiaries: Consolidated Statements of Income

(In thousands, except per share)	Year ended May 31 **2014**	2013	2012
Revenues			
Product revenues	**$ 219,734**	$ 184,134	$ 164,910
Service revenues	**27,671**	23,394	19,136
Total Revenues	**247,405**	207,528	184,046
Cost of Revenues			
Cost of product revenues	**$ 107,167**	$ 84,045	$ 78,823
Cost of service revenues	**17,640**	13,989	12,798
Total Cost of Revenues	**124,807**	98,034	91,621
Gross Margin	**122,598**	109,494	92,425
Operating Expenses			
Sales and marketing	**46,432**	40,791	35,026
General and administrative	**24,449**	20,216	17,024
Research and development	**8,326**	7,781	6,636
	79,207	68,788	58,686
Operating Income	**43,391**	40,706	33,739
Other Income (Expense)			
Interest income	**115**	144	107
Royalty income	**231**	364	329
Change in purchase consideration	**38**	(14)	154
Other, net	**(744)**	(59)	(490)
	(360)	435	100
Income Before Income Taxes	**43,031**	41,141	33,839
Provision for Income Taxes	**15,000**	14,100	11,450
Net Income	**28,031**	27,041	22,389
Net Loss Attributable to Noncontrolling Interest	**127**	149	124
Net Income Attributable to Neogen	**$ 28,158**	$ 27,190	$ 22,513
Net Income Attributable to Neogen Per Share			
Basic	**$ 0.77**	$ 0.76	$ 0.64
Diluted	**$ 0.76**	$ 0.75	$ 0.62

See accompanying notes to consolidated financial statements.

Neogen Corporation and Subsidiaries: Consolidated Statements of Comprehensive Income

(In thousands)	Year ended May 31 **2014**	2013	2012
Net Income	**$ 28,031**	$ 27,041	$ 22,389
Other Comprehensive Income (Loss), Net of Tax: Currency Translation Adjustments	**1,743**	(145)	(833)
Other Comprehensive Income (Loss	**1,743**	(145)	(833)
Comprehensive Income	**29,774**	26,896	21,556
Comprehensive Loss Attributable to Noncontrolling Interest	**127**	149	124
Comprehensive Income Attributable to Neogen Corporation	**$ 29,901**	$ 27,045	$ 21,680

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, May 31, 2011	34,935,905	$ 5,589	$ 79,386	$ (394)	$ 104,182	$ 339	$ 189,102
Exercise of options and warrants, including share-based compensation and $1,829 income tax benefit	472,520	76	7,811				7,887
Issuance of shares under Employee Stock Purchase Plan	21,216	3	506				509
Comprehensive income:							
Net income (loss) for 2012					22,513	(124)	22,389
Other comprehensive loss				(833)			(833)
Balance, May 31, 2012	35,429,641	5,668	87,703	(1,227)	126,695	215	219,054
Exercise of options and warrants, including share-based compensation and $3,113 income tax benefit	631,992	101	11,700				11,801
Issuance of shares under Employee Stock Purchase Plan	22,388	4	532				536
Comprehensive income:							
Net income (loss) for 2013					27,190	(149)	27,041
Other comprehensive loss				(145)			(145)
Balance, May 31, 2013	36,084,021	5,773	99,935	(1,372)	153,885	66	258,287
Exercise of options and warrants, including share-based compensation and $4,757 income tax benefit	629,826	101	17,522				17,623
Issuance of shares under Employee Stock Purchase Plan	18,466	3	613				616
Comprehensive income:							
Net income (loss) for 2014					28,158	(127)	28,031
Other comprehensive loss				1,743			1,743
Balance, May 31, 2014	**36,732,313**	**$ 5,877**	**$ 118,070**	**$ 371**	**$ 182,043**	**$ (61)**	**$ 306,300**

See accompanying notes to consolidated financial statements.

Neogen Corporation and Subsidiaries: Consolidated Statements of Cash Flows

(In thousands)		Year ended May 31	
	2014	2013	2012
Net income	**$ 28,031**	$ 27,041	$ 22,389
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	**9,180**	7,411	6,173
Deferred income taxes	**(542)**	287	1,340
Share-based compensation	**3,686**	3,064	2,455
Excess income tax benefit from the exercise of stock options	**(4,757)**	(3,113)	(1,829)
Changes in operating assets and liabilities, net of business acquisitions:			
Accounts receivable	**(10,602)**	(2,674)	(7,204)
Inventories	**(3,529)**	(2,082)	(3,093)
Prepaid expenses and other current assets	**(2,654)**	(1,505)	1,497
Accounts payable	**1,970**	(1,417)	2,330
Accruals and other changes	**885**	(451)	(1,781)
Net cash from operating activities	**21,668**	26,561	22,277
Cash flows used in investing activities			
Purchases of property, equipment and other noncurrent assets	**(11,543)**	(8,897)	(12,413)
Proceeds from the sale of marketable securities	**91,207**	67,039	72,270
Purchases of marketable securities	**(91,691)**	(82,776)	(71,631)
Business acquisitions, net of cash acquired	**(39,265)**	(13,318)	(4,011)
Net cash used in investing activities	**(51,292)**	(37,952)	(15,785)
Cash flows from financing activities			
Exercise of stock options	**14,851**	9,533	5,797
Excess income tax benefit from the exercise of stock options	**4,757**	3,113	1,829
Decrease in other long-term liabilities	**–**	(155)	(750)
Net cash from financing activities	**19,608**	12,491	6,876
Effect of exchange rate on cash	**659**	(113)	(167)
Net increase (decrease) in cash and cash equivalents	**(9,357)**	987	13,201
Cash and cash equivalents at beginning of year	**50,032**	49,045	35,844
Cash and cash equivalents at end of year	**$ 40,675**	$ 50,032	$ 49,045
Supplement cash flow information			
Income taxes paid, net of refunds	**$ 9,956**	$ 8,986	$ 6,445

See accompanying notes to consolidated financial statements.

Neogen Corporation and Subsidiaries: Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Neogen Corporation develops, manufactures, and markets a diverse line of products and services 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. and Neogen do Brasil, which are both 90% owned as of May 31, 2014. The Company made an additional capital contribution on December 31, 2013 which increased its ownership interest in Neogen Latinoamérica from 60% to 90%. 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 subtracted from or added to, net income to calculate the net income attributable to Neogen Corporation.

All intercompany accounts and transactions have been eliminated in consolidation.

Share and per share amounts reflect the October 30, 2013 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 doubtful accounts 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 to the allowance for doubtful accounts. No customer accounted for more than 10% of accounts receivable at May 31, 2014. The activity in the allowance for doubtful accounts was as follows:

(In thousands)

Year ended May 31	**2014**	2013	2012
Beginning balance	**$ 900**	$ 800	$ 800
Provision	**367**	193	91
Recoveries	**8**	24	12
Write-offs	**(75)**	(117)	(103)
Ending balance	**$ 1,200**	$ 900	$ 800

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 and accounts payable, approximate fair value based on either their short maturity or current terms for similar instruments.

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.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank demand accounts, savings deposits, certificates of deposit and commercial paper with original maturities of 90 days or less. Cash and cash equivalents were $40,675,000 and $50,032,000 at May 31, 2014 and 2013, respectively. The carrying value of these assets approximates fair value due to the short maturity of these instruments and meet the Level 1 criteria.

Marketable Securities

The Company has marketable securities held by banks or broker-dealers consisting of short-term domestic certificates of deposit of $17,576,000 and commercial paper rated at least A-2/P-2 with maturities between 91 days and one year of $18,245,000. Outstanding marketable securities at May 31, 2014 were $35,821,000; there were $35,337,000 marketable securities outstanding at May 31, 2013. These securities are classified as available for sale. The primary objective of the Company's short-term investment activity is to preserve capital for the purpose of funding operations, capital expenditures and business acquisitions; short-term investments are not entered into for trading or speculative purposes. These securities are recorded at fair value (that approximate cost) based on recent trades or pricing models and therefore meet the Level 2 criteria. Interest income on these investments is recorded within Other Income on the income statement.

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:

Year ended May 31 *(In thousands)*	**2014**	2013
Raw materials	**$ 21,515**	$ 16,587
Work-in-process	**3,681**	3,583
Finished and purchased finished goods	**25,982**	18,145
	$ 51,178	$ 38,315

The Company's inventories are analyzed for slow moving and obsolete items no less frequently than quarterly and the valuation allowance is adjusted as required. The valuation allowance for inventory was $1,425,000 and $1,250,000 at May 31, 2014 and 2013, 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 ten years for furniture, fixtures, machinery and equipment. Depreciation expense was $5,383,000, $4,417,000 and $3,646,000 in fiscal years 2014, 2013 and 2012, 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. Other intangible assets include customer relationships, trademarks, licenses, trade names, covenants not-to-compete 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, or when indications of impairment exist, to determine if such assets may be impaired. If the Company's qualitative assessment concludes that it is more likely than not that an impairment exists, or the Company skips the qualitative assessment, then the Company performs a quantitative assessment. 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 are both 12 years, respectively, at May 31, 2014 and May 31, 2013.

Long-lived Assets

Management reviews the carrying values of its long-lived assets to be held and used, including definite-lived intangible assets, for possible impairment whenever events or changes in business conditions warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated separately identifiable undiscounted cash flows over the remaining useful life of the asset are less than the carrying value of the asset. In such an event, fair value is determined using discounted cash flows and if lower than the carrying value, impairment is recognized through a charge to operations.

Reclassifications

Certain amounts in the fiscal 2013 and 2012 financial statements have been reclassified to conform to the fiscal 2014 presentation.

Stock Options

At May 31, 2014, 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 fiscal years 2014, 2013 and 2012, estimated on the date of grant using the Black-Scholes option pricing model, was $9.87, $9.21 and $6.94, respectively. The fair value of stock options granted was estimated using the following weighted-average assumptions:

Year ended May 31	**2014**	2013	2012
Risk-free interest rate	**0.8%**	1.2%	1.2%
Expected dividend yield	**0%**	0%	0%
Expected stock price volatility	**33.1%**	39.2%	36.4%
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 fair value 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 products and services is recognized when 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 revenues, while the related expenses incurred by the Company are recorded in sales and marketing expense; these expenses totaled $7,472,000, $6,856,000 and $5,940,000 in fiscal years 2014, 2013 and 2012, respectively.

Income Taxes

The Company accounts for income taxes using the asset and 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 for tax credit carry forwards 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 (90% owned Subsidiary), Neogen do Brasil (90% owned Subsidiary) and Neogen China (wholly-owned subsidiary). 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 re-evaluation of the decision to indefinitely re-invest foreign earnings. At May 31, 2014, unremitted earnings of the foreign subsidiaries were $18,262,000.

Research and Development Costs

Research and development costs are expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred and totaled $1,344,000, $1,055,000 and $1,001,000 in fiscal years 2014, 2013 and 2012, respectively.

Neogen Corporation and Subsidiaries: Notes to Consolidated Financial Statements

Net Income Attributable to Neogen 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. The following table presents the net income per share calculations:

Year ended May 31 *(In thousands, except per share),*	**2014**	2013	2012
Numerator for basic and diluted net income per share			
Net income attributable to Neogen	**$ 28,158**	$ 27,190	$ 22,513
Denominator for basic net income per share			
weighted average shares	**36,511**	35,768	35,199
Effect of dilutive stock options	**756**	723	830
Denominator for diluted net income per share	**37,267**	36,491	36,029
Net income attributable to Neogen per share:			
Basic	**$ 0.77**	$ 0.76	$ 0.64
Diluted	**$ 0.76**	$ 0.75	$ 0.62

At May 31, 2014, 2013 and 2012, 48,716, 88,912 and 78,450 shares, respectively, were excluded from the computations of diluted net income per share, as the option exercise prices exceeded the average market price of the common shares.

On October 30, 2013, the Company paid a 3-for-2 stock split effected in the form of a dividend of its common stock. All share and per share amounts, with the exception of par value per share, have been adjusted to reflect the stock split as if it had taken place at the beginning of the period presented. The common stock and additional paid-in capital accounts at May 31, 2013 and 2012 reflect the retroactive capitalization of the 3-for-2 stock split.

New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) further amended ASC 220, Comprehensive Income, with ASU 2013-02, Comprehensive Income (Topic 220) – Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (amended ASC 220), which was designed to improve the reporting of reclassifications out of accumulated other comprehensive income by requiring an entity to present the effect of significant reclassifications out of accumulated other comprehensive income on the respective lines of net income. The impact of adopting amended ASC 220 did not have a material impact on the consolidated financial statements.

In May 2014, the FASB issued a new standard on revenue recognition. The new standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is designed to create greater comparability for financial statement users across industries and jurisdictions and also requires enhanced disclosures. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

2. GOODWILL AND OTHER INTANGIBLE ASSETS

Management has completed the annual impairment analysis of goodwill and intangible assets with indefinite lives using a quantitative assessment as of the first day of the fourth quarter of fiscal years 2014, 2013 and 2012, respectively, and determined that recorded amounts were not impaired and that no write-down was necessary.

The following table summarizes goodwill by reportable segment:

(In thousands)	Food Safety	Animal Safety	Total
Balance, May 31, 2012	16,696	36,356	53,052
Goodwill acquired	–	6,439	6,439
Balance, May 31, 2013	$ 16,696	$ 42,795	$ 59,491
Goodwill acquired	–	8,699	8,699
Balance, May 31, 2014	**$ 16,696**	**$ 51,494**	**$ 68,190**

At May 31, 2014, non-amortizable intangible assets included licenses of $569,000, trademarks of $7,889,000 and other intangibles of $1,224,000. At May 31, 2013, non-amortizable intangible assets included licenses of $569,000, trademarks of $4,867,000 and other intangibles of $1,224,000.

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	$ 6,701	$ 1,873	$ 4,828
Covenants not to compete	474	256	218
Patents	5,990	2,746	3,244
Customer relationship intangibles	37,145	11,915	25,230
Other product and service related intangibles	3,833	619	3,214
Balance, May 31, 2014	**$ 54,143**	**$ 17,409**	**$ 36,734**
Licenses	$ 4,165	$ 1,409	$ 2,756
Covenants not to compete	334	186	148
Patents	5,184	2,363	2,821
Customer relationship intangibles	21,791	9,446	12,345
Other product and service related intangibles	3,809	264	3,545
Balance, May 31, 2013	$ 35,283	$ 13,668	$ 21,615

Amortization expense for intangibles totaled $3,797,000, $2,994,000 and $2,527,000 in fiscal years 2014, 2013, and 2012, respectively. The estimated amortization expense for each of the five succeeding fiscal years is as follows: $4,158,000 in 2015, $3,916,000 in 2016, $3,770,000 in 2017, $3,552,000 in 2018 and $2,955,000 in 2019. The 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 relationship intangibles. All definite lived intangibles are amortized on a straight line basis with the exception of definite lived customer relationship intangibles and product and service-related 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. Goodwill recognized in the acquisitions discussed below relates primarily to enhancing the Company's strategic platform for the expansion of available product offerings.

On June 21, 2011, the Company acquired the assets of VeroMara seafood testing laboratory for approximately $813,000 in cash and a potential contingent consideration payment of approximately $200,000 from its parent company, GlycoMar Ltd. Formerly based in Oban, Scotland, VeroMara offered commercial testing for the shellfish and salmon aquaculture industries, including tests for shellfish toxins, general foodborne pathogens, including *E. coli*, noroviruses, and salmon husbandry. The acquisition has been integrated into the Company's Food Safety segment at its Ayr, Scotland location.

On May 1, 2012, the Company purchased the assets of the Igenity animal genomics business from Merial Limited. Consideration for the purchase was $3,200,000 in cash and included allocations of net current assets of $110,000, property and equipment of $340,000, $600,000 accrued for contingent consideration, intangible assets of $2,036,000 and the remainder to goodwill (deductible for tax purposes). During 2012, the Company paid $500,000 for data sets included in the contingent consideration. 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. In the past, GeneSeek Inc. (acquired by the Company in 2010) conducted the genetic testing of samples for Igenity, and Igenity used the information with its extensive bioinformatics system to identify the animal's positive or negative traits. The Igenity business was moved to GeneSeek's operations in Lincoln, Nebraska, and operates as part of Neogen's GeneSeek subsidiary, within the Animal Safety segment. In May 2013, the Company reversed the remaining $100,000 of the contingent consideration accrual to Other Income, as the business did not attain the revenue level stipulated for that year.

On October 1, 2012, the Company acquired all of the stock of Macleod Pharmaceuticals Inc., of Fort Collins, Colorado. Macleod is the manufacturer of Uniprim, a leading veterinary antibiotic. The product is widely distributed throughout the U.S., and is also available in Canada through an exclusive distribution agreement. Consideration for the purchase was $9,918,000 in net cash and $100,000 accrued for contingent consideration. The final purchase price allocation, based upon the fair value of these assets determined using the income approach, included accounts receivable of $353,000, inventory of $1,238,000, property and equipment of $300,000, current liabilities of $82,000, deferred tax liabilities of $2,054,000, contingent consideration payment liabilities of $100,000, intangible assets of $5,542,000 and the remainder to goodwill (non-deductible for tax purposes). These values are Level 3 fair value measurements. Macleod operates as a subsidiary of Neogen Corporation, reporting within the Animal Safety segment. In October 2013, the Company paid $62,000 for contingent consideration; the remaining $38,000 of the accrual was reversed to Other Income.

On January 2, 2013, the Company acquired the assets of Scidera Genomics LLC, an animal genomics business based in Davis, California. The company, formerly operated as MetaMorphix, Inc., or MMI Genomics, performs parentage testing and trait analysis primarily for the cattle and canine industries. Consideration for the purchase was $3,400,000 in cash. The final purchase price allocation included current assets of $35,000, property and equipment of $246,000, intangible assets of $1,570,000 and the remainder to goodwill (deductible for tax purposes). These values are Level 3 fair value measurements. This business was relocated to the Company's GeneSeek operation in Lincoln, Nebraska in 2013, and reports within the Animal Safety segment.

On July 1, 2013, the Company acquired the assets of SyrVet Inc., a veterinary business based in Waukee, Iowa. SyrVet offered a product line similar to Neogen's Ideal Instruments line of veterinary instruments with a strong presence in Mexico and Latin America. Consideration for the purchase was $10,012,000 in cash and up to $1,500,000 of a contingent consideration liability, due at the end of the first year, based on an excess net sales formula. The Company has estimated the contingent consideration liability to be $930,000, based on forecasted sales. The final purchase price allocation, based upon the fair value of these assets determined using the income approach, included accounts receivable of $747,000, net inventory of $2,195,000, property and equipment of $556,000, current liabilities of $226,000, contingent consideration liabilities of $930,000, non-amortizable trademarks of $790,000, intangible assets of $4,810,000 (with an estimated life of 15 years) and the remainder to goodwill (deductible for tax purposes). These values are Level 3 fair value measurements. This business has been relocated to Lexington, Kentucky and integrated with the Company's current operations there, reporting within the Animal Safety segment.

On November 1, 2013, the Company acquired the assets of Prima Tech Incorporated, a veterinary instrument company based in Kenansville, North Carolina. Prima Tech manufactures devices used by farmers, ranchers, and veterinarians to inject animals, provide topical applications, and to use for oral administration. Prima Tech is also a supplier of products used in artificial insemination in the swine industry. Consideration for the purchase was $12,068,000 in cash and up to $600,000 of contingent consideration, due at the end of the first year, based on an excess net sales formula. The Company has estimated the contingent consideration liability to be $146,000 based on forecasted sales. The final purchase price allocation, based upon the fair value of these assets determined using the income approach, included accounts receivable of $963,000, net inventory of $2,796,000, property and equipment of $1,653,000, prepaid assets of $8,000, current liabilities of $1,840,000, contingent consideration liabilities of $146,000, non-amortizable trademarks of $1,500,000, intangible assets of $4,400,000 (with an estimated life of 5-15 years) and the remainder to goodwill (deductible for tax purposes). These values are Level 3 fair value measurements. This business will continue to operate in its current location and reports within the Animal Safety segment.

On January 2, 2014, the Company acquired all of the stock of Chem-Tech Ltd., a pest control manufacturing and distribution business located in Pleasantville, Iowa. Consideration for the purchase was $17,185,000 in cash and up to $1,000,000 of a contingent consideration liability, due at the end of the first year, based on an excess sales formula. The Company has estimated the contingent consideration liability to be $400,000, based on forecasted sales. The preliminary purchase price allocation included accounts receivable of $380,000, net inventory of $4,096,000, prepaid assets of $225,000, property and equipment of $682,000, current liabilities of $184,000, contingent consideration liabilities of $400,000, non-amortizable trademarks of $662,000, intangible assets of $7,536,000 (with an estimated life of 15 years) and the remainder to goodwill (deductible for tax purposes). These values are Level 3 fair value measurements. This business will continue to operate in its current location and reports within 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 up to $12,000,000 which was amended on May 30, 2014, to extend the maturity from September 1, 2014 to September 1, 2017. There were no advances against this line of credit during fiscal years 2014, 2013 and 2012, and no balance outstanding at May 31, 2014 and 2013. Interest is at LIBOR plus 100 basis points (rate under the terms of the agreement was 1.15% at May 31, 2014). 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, 2014 and May 31, 2013.

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. These options are granted 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 805,000, 1,227,000 and 1,662,000 at May 31, 2014, 2013 and 2012, respectively. Options vest ratably over three and five year periods and the contractual terms are generally five or ten years.

(In thousands, except for share price)	Shares	Weighted-Average Exercise Price	Weighted-Average Grant Date Fair Value
Outstanding at May 31, 2011 (764 exercisable)	2,361	$ 11.85	$ 3.81
Granted	474	23.06	6.94
Exercised	(480)	8.29	2.93
Forfeited	(41)	11.08	3.59
Outstanding at May 31, 2012 (863 exercisable)	2,314	14.89	4.63
Granted	459	28.67	9.21
Exercised	(657)	10.61	3.43
Forfeited	(24)	19.67	6.07
Outstanding at May 31, 2013 (749 exercisable)	2,092	$ 19.21	$ 6.00
Granted	512	36.44	9.87
Exercised	(643)	13.69	4.28
Forfeited	(92)	22.08	6.65
Outstanding at May 31, 2014 (577 exercisable)	**1,869**	**$ 25.69**	**$ 7.62**

The following is a summary of stock options outstanding at May 31, 2014:

(Options in thousands)	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number	Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
$ 5.45–16.12	286	1.8	$ 11.70	201	$ 11.14
16.13–22.91	288	2.5	19.32	152	19.57
22.92–28.26	353	2.8	23.17	134	23.28
28.27–32.37	439	4.0	28.67	90	28.67
32.38–41.65	503	4.9	36.44	–	–
	1,869	3.4	$ 25.69	577	$ 18.91

The weighted average exercise price of shares that were exercisable at May 31, 2014 and 2013 was $18.91 and $14.21, respectively.

The aggregate intrinsic value of options outstanding and options exercisable was $22,751,000 and $10,984,000, respectively, at May 31, 2014, $35,778,000 and $16,557,000 respectively, at May 31, 2013 and $25,617,000 and $12,855,000 respectively, at May 31, 2012. The aggregate intrinsic value of options exercised during the year was $17,669,000 in fiscal 2014, $12,519,000 in fiscal 2013 and $8,226,000 in fiscal 2012. Remaining compensation cost to be expensed in future periods for non-vested options was $4,096,000 at May 31, 2013, with a weighted average expense recognition period of 3.2 years.

Common stock totaling 65,309 of the 337,500 originally authorized shares are reserved for issuance under the terms of the 2002 Employee Stock Purchase Plan. An additional 375,000 shares are also reserved for issuance under the terms of the 2011 Employee Stock Purchase Plan. The plan gives eligible employees the option to purchase common stock at a 5% discount to the lower of the market value of the stock at the beginning or end of each participation period. Total individual purchases in any year are limited to 10% of compensation. Shares purchased by employees were 18,466, 22,388 and 21,216 in fiscal years 2014, 2013 and 2012, respectively.

6. INCOME TAXES

Income before income taxes by source consists of the following amounts:

Year ended May 31 *(In thousands)*,	**2014**	2013	2012
U.S. Taxes	**$ 37,568**	$ 37,407	$ 31,775
Foreign	**5,463**	3,734	2,064
	$ 43,031	$ 41,141	$ 33,839

The provision for income taxes consisted of the following:

Year ended May 31 *(In thousands)*,	**2014**	2013	2012
Current			
U.S. Taxes	**$ 14,442**	$ 12,959	$ 9,520
Foreign	**1,100**	854	587
Deferred	**(542)**	287	1,343
	$ 15,000	$ 14,100	$ 11,450

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)*,	**2014**	2013	2012
Tax at U.S. statutory rates	**$ 15,061**	$ 14,400	$ 11,900
Tax credits and other	**(574)**	(980)	(755)
Provisions for state income taxes, net of federal benefit	**513**	680	305
	$ 15,000	$ 14,100	$ 11,450

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)*,	**2014**	2013
Deferred income tax liabilities		
Indefinite and long-lived assets	**$ (13,759)**	$ (13,953)
Prepaids	**(358)**	(333)
	(14,117)	(14,286)
Deferred income tax assets		
Inventories and accounts receivable	**1,471**	1,228
Accrued liabilities and other	**2,201**	2,071
	3,672	3,299
Net deferred income tax liabilities	**$ (10,445)**	$ (10,987)

At the end of fiscal 2011, the Company was under audit by the Internal Revenue Service for its fiscal 2009 year; in fiscal 2012 this audit was expanded to include the fiscal 2010 year as well. The audit concluded in late fiscal 2012 with a slight favorable adjustment; thus, amounts totaling $550,000 which had been reserved as uncertain tax positions were reversed in the fourth quarter of fiscal 2012, resulting in an effective tax rate of 33.7% for the year. Absent this adjustment, the Company's fiscal 2012 tax rate would have been 35.5%, compared to 34.3% in fiscal 2013 and 34.9% in fiscal 2014.

The Company has no significant accrual for unrecognized tax benefits at May 31, 2014. 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 2011.

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 paying annual costs of remediation which have ranged from $47,000 to $79,000 per year over the past five years. The Company's estimated liability for these costs of $916,000 at May 31, 2014 and 2013, measured on an undiscounted basis over an estimated period of 15 years; $50,000 of the liability is recorded within current liabilities and the remainder is recorded within other long term liabilities in the consolidated balance sheet.

The Company has agreements with unrelated third parties that provide for the payment of license fees and royalties on the sale of certain products. Royalty expense under the terms of these agreements was $2,278,000, $1,837,000 and $1,371,000 for fiscal years 2014, 2013 and 2012, respectively.

The Company has agreements with unrelated third parties that provide for guaranteed minimum royalty payments to be paid each fiscal year by the Company for certain technologies, as follows: 2015 - $658,000; 2016 - $700,000; 2017 - $669,000; and 2018 - $769,000.

The Company leases office and manufacturing facilities under noncancelable operating leases. Rent expense for fiscal years 2014, 2013 and 2012 was $856,000, $657,000 and $495,000, respectively. Future fiscal year minimum rental payments for these leases over their remaining terms are as follows: 2015 - $470,000; 2016 - $324,000; 2017 - $130,000; 2018 - $74,000; and 2019 and later - $96,000.

The Company is subject to certain legal and other proceedings in the normal course of business that, in the opinion of management, should 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 compensation up to IRS limits, with the Company matching 100% of the first 3% of deferred compensation and 50% of the next 2% deferred. The Company's expense under this plan was $954,000, $863,000 and $760,000 in fiscal years 2014, 2013 and 2012, respectively.

9. SEGMENT INFORMATION

The Company has two reportable segments: Food Safety and Animal Safety. The Food Safety segment is primarily engaged in the development, production and marketing of 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 development, production and marketing of products dedicated to animal safety, including a complete line of consumable products marketed to veterinarians and animal health product distributors; this segment also provides genetic identification and related interpretive bioinformatic services. Additionally, the Animal Safety segment produces and markets rodenticides, disinfectants, and insecticides to assist in control of rodents, insects 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 each 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
2014				
Product revenues to external customers	**$ 111,545**	**$ 108,189**	**$ –**	**$ 219,734**
Service revenues to external customers	**4,745**	**22,926**	**–**	**27,671**
Total revenues to external customers	**116,290**	**131,115**	**–**	**247,405**
Operating income (loss)	**28,009**	**18,571**	**(3,189)**	**43,391**
Depreciation and amortization	**4,181**	**4,999**	**–**	**9,180**
Total assets	**105,607**	**173,643**	**66,051**	**345,301**
Expenditures for long-lived assets	**5,999**	**5,544**	**–**	**11,543**
2013				
Product revenues to external customers	$ 102,971	$ 81,163	$ –	$ 184,134
Service revenues to external customers	3,187	20,207	–	23,394
Total revenues to external customers	106,158	101,370	–	207,528
Operating income (loss)	27,366	15,858	(2,518)	40,706
Depreciation and amortization	3,874	3,537	–	7,411
Total assets	93,079	121,908	75,571	290,558
Expenditures for long-lived assets	6,046	2,851	–	8,897
2012				
Product revenues to external customers	$ 90,460	$ 74,450	$ –	$ 164,910
Service revenues to external customers	644	18,492	–	19,136
Total revenues to external customers	91,104	92,942	–	184,046
Operating income (loss)	23,932	12,039	(2,232)	33,739
Depreciation and amortization	3,500	2,673	–	6,173
Total assets	62,227	106,987	82,386	251,600
Expenditures for long-lived assets	4,633	7,780	–	12,413

[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.

Revenues to customers located outside the United States amounted to $96,111,000 or 38.8% of consolidated revenues in fiscal 2014, $83,171,000 or 40.1% in fiscal 2013 and $76,672,000 or 41.7% in fiscal 2012 and were derived primarily in various countries throughout Europe, Canada, and the geographic areas of South and Central America and Asia. No customer represented revenues in excess of 10% of consolidated net sales in any of the three years. The United States based operations represent 95% of the Company's long-lived assets as of May 31, 2014 and 95% as May 31, 2013.

10. STOCK REPURCHASE

In December 2008, the Company's Board of Directors authorized a program to purchase, subject to market conditions, up to 1,125,000 shares of the Company's common stock. As of May 31, 2014, 112,026 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 fiscal years 2014 or 2013. Shares purchased under the program were retired.

Neogen Corporation and Subsidiaries: Notes to Consolidated Financial Statements

11. SUMMARY OF QUARTERLY DATA (UNAUDITED)

	Quarter Ended			
(In thousands, except per share)	August 2013	November 2013	February 2014	**May 2014**
Total revenues	$ 58,548	$ 59,599	$ 61,996	**$ 67,262**
Gross margin	30,364	29,491	30,75	**32,038**
Net income attributable to Neogen	7,839	6,207	6,575	**7,537**
Basic net income per share	0.22	0.17	0.18	**0.20**
Diluted net income per share	0.21	0.17	0.18	**0.20**

	Quarter Ended			
(In thousands, except per share)	August 2012	November 2012	February 2013	May 2013
Total revenues	$ 49,729	$ 50,737	$ 51,055	$ 56,007
Gross margin	26,494	27,306	27,313	28,381
Net income attributable to Neogen	6,714	6,793	6,652	7,031
Basic net income per share	0.19	0.19	0.19	0.19
Diluted net income per share	0.19	0.18	0.19	0.19

Quarterly net income per share is based on weighted-average shares outstanding and potentially dilutive stock options 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

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders, Neogen Corporation, Lansing, Michigan

We have audited the accompanying consolidated balance sheet of Neogen Corporation and Subsidiaries (the Company) as of May 31, 2014 and the related consolidated statements of income, comprehensive income, equity, and cash flows for the year ended May 31, 2014. 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 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 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Neogen Corporation at May 31, 2014, and the results of its operations and its cash flows for the year ended May 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Neogen Corporation and Subsidiaries' internal control over financial reporting as of May 31, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated July 30, 2014 expressed an unqualified opinion thereon.

BDO USA, LLP

Grand Rapids, Michigan • July 30, 2014

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 and Subsidiaries (the Company) as of May 31, 2013, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the years ended May 31, 2013 and 2012. 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 and Subsidiaries at May 31, 2013, and the consolidated results of their operations and their cash flows for each of the years ended May 31, 2013 and 2012, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

Detroit, Michigan • July 30, 2013 • *Except for the effects of the stock split described in Note 1, as to which the date is July 30, 2014*

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 Rules 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, 2014, based on the framework in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, management concluded that internal control over financial reporting was effective as of May 31, 2014. The effectiveness of internal control over financial reporting as of May 31, 2014, has been audited by BDO USA, 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.

No changes in our internal control over financial reporting were identified as having occurred during the quarter ended May 31, 2014 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

James L. Herbert
Chairman and CEO

Steven J. Quinlan
Vice President and CFO

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders, Neogen Corporation, Lansing, Michigan

We have audited Neogen Corporation and Subsidiaries' internal control over financial reporting as of May 31, 2014, based on criteria established in Internal Control – Integrated Framework (1992) 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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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.

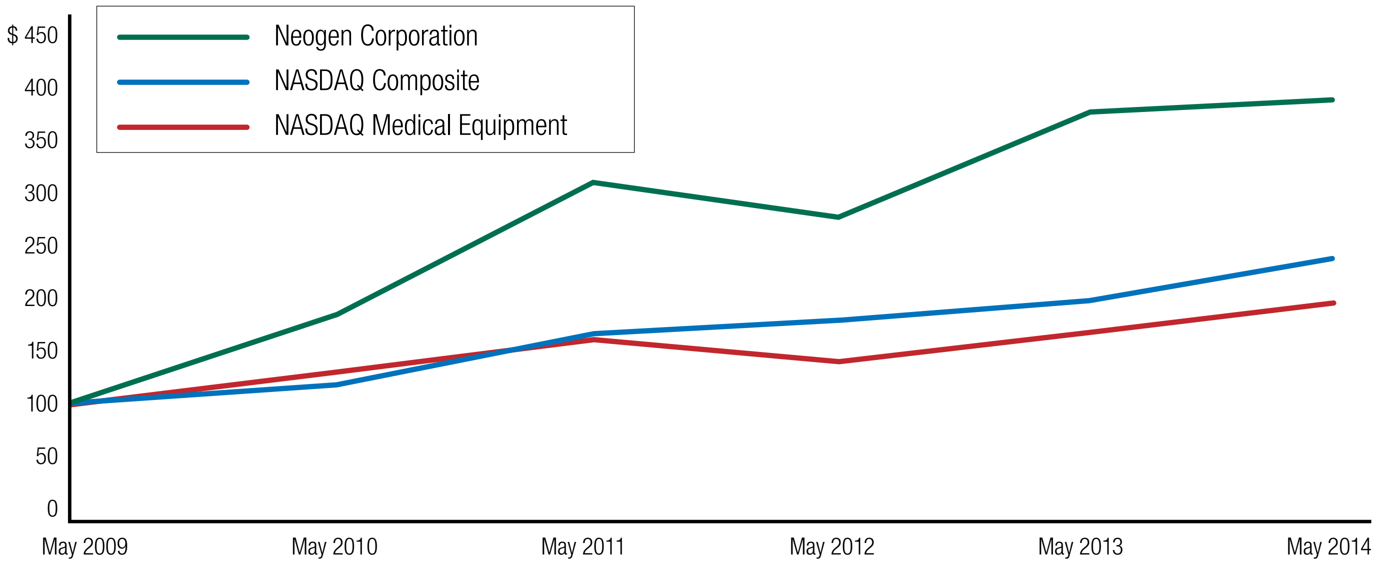
In our opinion, Neogen Corporation and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of May 31 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Neogen Corporation and Subsidiaries as of May 31, 2014 and the related consolidated statements of income, comprehensive income, equity, and cash flows for the year ended May 31, 2014 and our report dated July 30, 2014 expressed an unqualified opinion thereon.

BDO USA, LLP

Grand Rapids, Michigan • July 30, 2014

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



The graph matches Neogen Corporation's cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and the NASDAQ Medical Equipment index. The graph tracks the performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from May 31, 2009 to May 31, 2014.

May 31 of:	2009	2010	2011	2012	2013	**2014**
Neogen Corporation	$ 100.00	$ 174.98	$ 305.17	$ 265.02	$ 370.71	**$ 385.79**
NASDAQ Composite	100.00	128.43	163.07	166.18	198.81	**248.05**
NASDAQ Medical Equipment	100.00	131.89	162.55	142.15	165.99	**197.44**

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

Market Information

Neogen Common Stock is traded on the NASDAQ Global Select Market under the symbol **NEOG**. The following table sets forth, for the fiscal periods indicated, the high and low sales prices for the Common Stock, as adjusted for the October 30, 2013 3-for-2 stock split affected in the form of a dividend, as reported on the NASDAQ Stock Market.

Year Ended		High	Low
May 31, 2014	Fourth Quarter	**$ 47.08**	**$ 36.31**
	Third Quarter	50.88	39.44
	Second Quarter	50.87	36.13
	First Quarter	39.44	35.25
May 31, 2013	Fourth Quarter	$ 37.82	$ 30.66
	Third Quarter	32.52	29.71
	Second Quarter	30.63	25.76
	First Quarter	31.87	25.29

Holders: As of July 30, 2014, there were approximately 310 stockholders of record of Common Stock that management believes represents a total of approximately 10,500 beneficial holders.

Dividends: Neogen has never paid any cash dividends on its Common Stock and does not anticipate paying any cash dividends in the foreseeable future.

Neogen Corporation Officers and Directors

OFFICERS

James L. Herbert
Chairman of the Board
Chief Executive Officer

Steven J. Quinlan
Vice President
Chief Financial Officer and Secretary

Edward L. Bradley
Vice President, Food Safety

Kenneth V. Kodilla
Vice President, Manufacturing

Jason W. Lilly, Ph.D.
Vice President, Corporate Development

Terri A. Morrical
Vice President, Animal Safety

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

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

DIRECTORS

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

William T. Boehm, Ph.D.
Kroger Company
Former Senior Vice President

President's Council of Economic Advisors
Former Senior Economist

Richard Crowder, Ph.D.
Virginia Tech University
Thornhill Professor of Agricultural Trade

Office of the U.S. Trade Representative
Former Chief Agricultural Trade Negotiator

A. Charles Fischer
Dow AgroSciences
Former President and CEO

G. Bruce Papesh
Dart, Papesh & Co.
President

Jack C. Parnell
Siller Brothers, Inc.
Chairman of the Board

Siller Helicopters, Inc.
Chairman of the Board

U.S. Department of Agriculture
Former Deputy Secretary
Former Acting 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

DIRECTOR EMERITUS

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

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

ANNUAL MEETING

October 2, 2014
10:00 a.m.
University Club at Michigan State University
3435 Forest Road
Lansing, MI 48909

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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STOCK TRANSFER AGENT AND REGISTRAR

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