NEOGEN® CORPORATION

Dedicated to Food and Animal Safety

A World *of* Opportunity

ANNUAL REPORT | 2009

The ***mission*** of

Neogen Corporation

is to be the dominant company in the development and marketing of ***solutions*** for **food** and **animal safety**.

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FINANCIAL HIGHLIGHTS

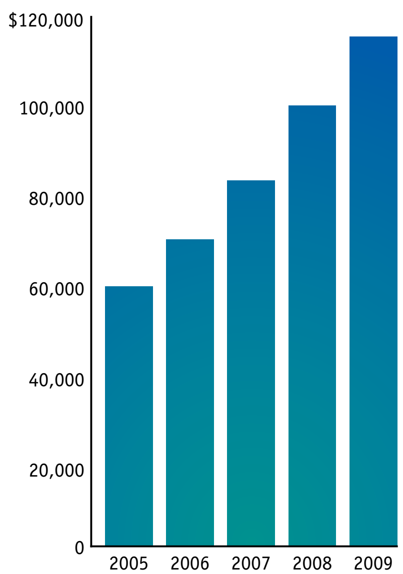
Amounts in thousands, except per share

Years Ended May 31,	2009	2008	2007	2006	2005
Operations:					
Total Revenues	$ 118,721	$ 102,418	$ 86,138	$ 72,433	$ 62,756
Food Safety Sales	61,025	57,664	47,165	34,922	28,156
Animal Safety Sales	57,696	44,754	38,973	37,511	34,600
Operating Income	20,488	18,019	13,504	10,805	7,452
Net Income	$ 13,874	$ 12,098	$ 9,125	$ 7,029	$ 4,929
Basic Net Income Per Share*	$ .95	$ .84	$ .66	$ .57	$ .41
Diluted Net Income Per Share*	$ .92	$ .81	$ .64	$ .55	$ .39
Average Diluted Shares Outstanding*	15,058	14,999	14,162	12,686	12,531

*Restated for the years 2005–2007

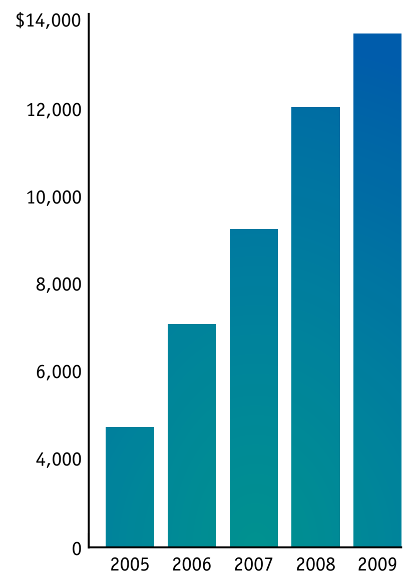
TOTAL REVENUES

Dollars in thousands



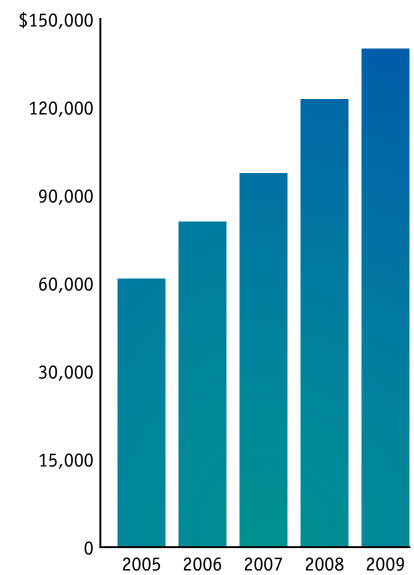
NET INCOME

Dollars in thousands



TOTAL ASSETS

Dollars in thousands



In thousands

May 31,	2009	2008	2007	2006	2005
Financial Strength:					
Cash and Cash Equivalents	$ 13,842	$ 14,270	$ 13,424	$ 1,959	$ 1,972
Working Capital	62,520	54,495	41,060	26,252	22,644
Total Assets	142,176	126,357	105,284	88,290	63,884
Long-Term Debt	–	–	–	9,955	–
Stockholders' Equity	128,679	111,248	91,945	65,424	56,623

A Message *from* Management

James Herbert and Lon Bohannon

To Our Stockholders, Employees, and Friends,

When we established Neogen's mission as a pure startup company 27 years ago, few of us could fully appreciate the worldwide scope and size of the markets that would eventually develop. We saw that food and animal safety would likely grow in importance and established a mission to provide solutions for food and animal safety problems.

In the 1980's, world food systems rapidly developed allowing for considerable increases in worldwide food production. However, as food production expanded to meet increased demand, new issues became apparent related to the quality and safety of food. As food producers focused on consumers' demands for less expensive products, more convenient preparation and year-round availability of foods once considered only seasonal, we believed that safety issues would surely develop.

Continued Strong Growth

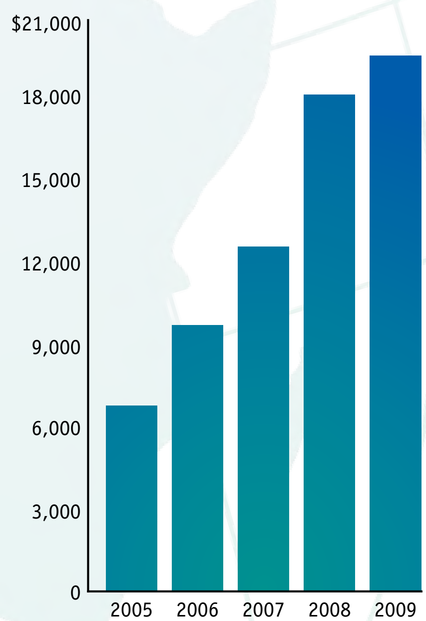
A world of opportunity has truly developed for food and animal safety solutions to help meet the requirements of food producers, processors, and consumers around the world. Neogen's revenues increased 16% to $118.7 million for our 2009 fiscal year. The fourth quarter also marked a continuation in the company's consistency of performance as it was the 69th quarter in the past 74 to show revenue increases compared to the previous year—a record now spanning over 18 years.

Net income for the year was almost $13.9 million up 15% compared to last year. This equated to earnings per share of $0.92 as compared to $0.81 last year. Given the challenging year for a large number of our worldwide customers, management was pleased with the results.

In addition to the poor economy, we faced several other factors in FY '09. Our overall provision for income taxes went to 36% as compared to 35% the prior year. On a pretax basis, income was 17% higher than last year showing that our bottom line growth once again exceeded revenue growth. Neogen does business in pound sterling, euro, peso, and the Canadian dollar. As the U.S. dollar showed strength during most of our fiscal year, currency translations had an unfavorable impact equating to approximately $2.7 million reduction in revenue for the year.

OPERATING INCOME

Dollars in thousands



Cash Flow Strong

Net cash from operating activities for the year was almost $11.0 million—up 40% compared to the prior year. This allowed the company to make some meaningful acquisitions and to expand its manufacturing capabilities. At year end, the company had approximately $13.8 million in cash. Neogen also continued its solid growth in shareholder value, as shareholder equity increased by 16% for the year.

Growth Strategy Continues

Neogen continued to utilize its four-point growth strategy to achieve FY '09 results. The first aspect of this growth strategy was to gain market share with existing products, and even as markets served by the company seemed to constrict some during the year as a result of the worldwide financial situation, Neogen was still able to record solid same-store sales increases in both divisions. Adjusting for the impact of currency translation, organic growth was 11%. We believe this indicates a gain in market share in several markets and with several of our product lines. This was particularly noticeable in our sales of diagnostic tests to detect the presence of food allergens, where growth for the year was up more than 40%.

New Product Activity Strong

The second leg of the company's growth strategy has been the introduction of new products for our current market base. Shortly before the beginning of FY '09, we identified a number of new product opportunities that fit well into Neogen's mission. As a result, the size of the company's R&D organization has now almost doubled. Even with an extra $1.0 million in spending during the year, total R&D expenditures still represent only 4% of revenues. Neogen's research teams in Michigan, Kentucky, Wisconsin, and Scotland have over 60 research projects in their FY '10 plans with many expected to bring new or improved products to the market within a year.

International Growth Strong

Food production and processing no longer has geographic or national boundaries. This became evident during Neogen's FY '09 with high profile episodes such as milk products containing melamine and bacterial pathogens in hot peppers. The third leg of Neogen's growth strategy is to expand international revenues. We estimate that over 60% of our potential revenue opportunities lay outside the U.S.

For FY '09, the company generated 41% of its total revenues from sources outside U.S. boundaries as compared to 25% just 5 years ago. The negative impact of currency translations had a dampening effect on the true accomplishments. For example, Neogen Europe's revenue growth based on constant British pounds was an exceptional 26% in FY '09. However, when translated to U.S. dollars, that gain was reduced to 3%. The European Union countries as well as many areas in Latin America offer good growth opportunities again for FY '10.

Acquisition Strategy Continues

The fourth leg of Neogen's growth strategy has been to acquire businesses, product lines, and form strategic alliances to expand the company's product offering, market reach, and research capabilities. Over the course of the past eight years, Neogen has successfully completed 15 acquisitions, and all have been accretive at both the top and bottom line.

In early FY '09, Neogen completed an acquisition of a large group of cleaning and disinfecting products from DuPont®. In addition, Neogen will also serve as DuPont's strategic partner in helping to develop and market new products to be used as a part of the food safety efforts back inside the farm gate. This acquisition aided the Animal Safety division's revenue growth of 29% in FY '09 compared to the prior year.

It has been a part of Neogen's ongoing strategy to provide biosecurity solutions for animal protein producers. Neogen's rodenticide products are an important part of that strategy as rodents are notorious for spreading filth and transferring disease in animal production units. Though Neogen had a few products that fit the cleaning and disinfecting area, the addition of the DuPont products now provides the company with a complete line of products to provide biosecurity solutions for animal and protein producers.

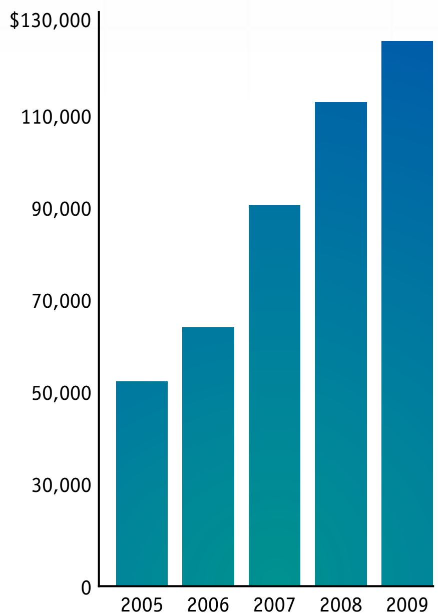
Acquisition Strengthens Research

Just prior to the end of FY '09, Neogen acquired International Diagnostic Systems (IDS), a Michigan company that had been competing with Neogen for over 20 years. More importantly, IDS possessed exceptional diagnostic products and research and development capabilities pertaining to violative drugs and drug residues. Neogen's existing Sales and Marketing organization added the majority of these products to their existing offerings. The manufacturing operations have been consolidated into Neogen production facilities in Lexington, Kentucky and activities of the IDS research and development group will be fully integrated with Neogen's other research and development efforts.

With experience and expertise in acquisitions and their integration, a strong balance sheet with almost $14 million at year end, and no bank borrowing, Neogen is well positioned to continue its acquisition strategy.

STOCKHOLDERS' EQUITY

Dollars in thousands



Performance Noticed

The company's performance during the past year did not go unheeded by the investment community as the price of the company's shares maintained a respectable level. In addition to be selected to the Russell 2000 list, Neogen is now also a part of the Standard and Poor's 600 Index. In July, Fortune Magazine once again named Neogen to its list of the 100 fastest growing small public companies in America—this time at spot number 21. The previous month, Fortune had named Neogen as one of the "40 Stocks to Retire On"—a list that included many of the world's largest blue chip corporations. We were identified as a stock that would suffer less in the market downturns, but had an opportunity to exceed the market during good times. Also, again this year, Forbes Magazine named Neogen to its list of the 200 best small public companies in America—the 7th time in the last 9 years.

Thanks to Employees

The credit for FY '09 should go to Neogen's group of over 500 dedicated employees. As the worldwide economic recession deepened, we called upon employees to improve sales efficiency and asked them to search diligently for opportunities where the company could save expenses. Management challenged all employees to remember that "when the going gets tough, the tough get going". Certainly, that toughness showed through in FY '09.

Despite the economic uncertainties, we approach our FY '10 with confidence due to our established products, marketing strategies, and manufacturing capabilities. We believe these strengths, along with stable leadership, positions Neogen to capitalize on the World of Opportunities that lie ahead.

James L. Herbert
Chairman and CEO

Lon M. Bohannon
President and COO

机会的世界 un mundo de oportunidades

un monde d'occasíon 기회의 세계

A World *of* Opportunity

for Neogen, the opportunities created by a synergistic product mix that obscures the line between its Food and Animal Safety Divisions know no boundary.

For Neogen, a wide range of opportunities exist at such diverse operations as a sausage maker in Tennessee, sugarcane processor in Mexico, cattle ranch in Brazil, lettuce farm in California, bakery in Scotland, dairy processor in Belarus, hog farm in Taiwan, drink bottler in New York, veterinary clinic in Canada, or anywhere food and animal safety is a concern.

For Neogen, opportunity exists wherever consumers sit down to eat with the expectation that their meals are free of dangerous bacteria, natural toxins, unlabeled food allergens, veterinary antibiotic residues, spoilage organisms, rodent filth, broken bits of veterinary instruments, or any other contaminant that poses an immediate or long-term risk.

Seizing these seemingly limitless food and animal safety opportunities, wherever they may exist, is what has driven Neogen since its founding in 1982. It has driven Neogen to assemble an outstanding team of research and development experts who collaborate with university and industry partners to develop innovative, real-world solutions to real-world problems both within and outside the farm gate. It has driven Neogen to assemble a superior team of sales and marketing professionals, and distribution partners, to reach each of its worldwide markets with expertise and experience.

a "one-stop shop" ►

Neogen is perfectly positioned to seize the world of opportunity now and into the future.

Neogen's "one-stop shop" mix of diagnostic and preventative products is perhaps best illustrated by examples of how Neogen's comprehensive and complementary line of food and animal safety products work together.

DAIRY PRODUCTS

Nowhere is the synergy between Neogen's food safety and animal safety solutions more apparent than in the worldwide dairy market. Neogen's Ideal® reproductive and obstetrical veterinary instruments, and Ag-Tek® gloves and apparel, protect cows and their calves, as well as veterinary practitioners, throughout the breeding and calving process. The company's rodenticides, cleaners, and disinfectants help ensure a safe dairy production environment, and its needles and syringes deliver precise dosages of needed medications. Neogen's wide range of veterinary pharmaceuticals and nutritional supplements support the health of the dairy herd.

The safety and quality of dairy products is ensured by Neogen's comprehensive offering of Food Safety testing products. The company's quick and easy BetaStar® and TetraStar® diagnostic tests ensure harmful antibiotic drug residues are not in milk. Neogen's microbial tests, including its innovative Soleris® spoilage organism test system, validate the effectiveness of pasteurization processes, and help ensure that products such as yogurt retain their freshness throughout their stated shelf lives.

The company's AccuPoint® sanitation monitoring system, and other environmental tests, reduce the risk of product contamination. Where production facilities produce both dairy and non-dairy products, such as juice or soy milk, Neogen's food allergen tests help protect allergic consumers from the accidental ingestion of unlabeled food allergens, such as milk and soy.

ANIMAL PROTEIN PRODUCTS

Neogen protects the safety of animal protein products on farms and ranches, and throughout every processing step on the way to the consumer. Neogen offers both durable and disposable veterinary syringes, as well as aluminum and polypropylene hub needles, to deliver precise medicinal dosing. Neogen's D3 Needles™ are three times stronger than standard needles, and have a patented technology that makes them detectable using standard meat processing plant metal detectors.

The company's comprehensive line of Hacco agricultural biosecurity products, including rodenticides, cleaners, and disinfectants, help protect livestock from the spread of dangerous pathogens in large, modern integrated production facilities. Rats and mice remain a serious threat to food and feedstuffs, and spread disease. Neogen's proven line of rodenticides is used for effective control of rodent infestations and is often a critical component of an overall biosecurity plan. Pathogens at the farm can travel to the processing plant and then throughout the food chain.

Neogen's innovative mycotoxin diagnostic tests prevent the severe consequences of animals ingesting feed contaminated with natural toxins. Neogen's Reveal® tests for aflatoxin, DON, and four other mycotoxins are the quickest and easiest tests available, and provide results in as little as 2 minutes. Neogen's line of rapid mycotoxin tests has more official third-party approvals than any competitor.

As the animal protein products move closer to the consumer, Neogen's Reveal and GeneQuence® foodborne bacteria diagnostic tests for *Salmonella*, *E. coli* 0157:H7, and *Listeria*, and tests for veterinary drugs in meat, help prevent these health threats from ever reaching a dinner table.

Neogen's Acumedia® subsidiary has been a premier manufacturer of high quality dehydrated culture media since 1978 for industrial, biotech, food safety, and life science applications. Acumedia produces over 200 different formulations, and well over 160 different customized formulations, that help identify microorganisms or even provide the feedstock for producers to produce vaccine biologics.

POULTRY & EGG PRODUCTS

Neogen's preventative products, including cleaners, disinfectants and rodenticides, help ensure the safety of poultry and egg facilities from dangerous pathogens, such as avian influenza and *Salmonella*, before they infect large populations of production flocks. Neogen's acquisition of animal health disinfectants and cleaners from DuPont in 2008 further broadened Neogen's comprehensive list of preventative products it can offer to animal producers and veterinary clinics. Stopping a bacterial, viral, or fungal outbreak before it can start is a critical goal in food and animal safety.

Neogen expands R&D staff, efforts

Neogen is executing its plan that was first announced early in its 2009 fiscal year to double its research and development efforts by hiring approximately two dozen additional R&D personnel.

"The organizational structure of our research and development groups has served us well throughout Neogen's 27-year history. However, as we now plan to double our revenues toward $200 million, the need to also double our R&D efforts became obvious," said James Herbert, Neogen's chairman and CEO in announcing the plan. "With the rapid expansion of our revenue and worldwide presence have come a tremendous number of new opportunities for product development. Seizing those opportunities will require an expanded R&D structure and staff to develop these products in an expedient fashion."

The expansion in R&D activities supported both Neogen's food safety and animal safety progress. Most of the staff expansion occurred in Neogen's Lansing, Mich., laboratories, but also supported the development of new products for the Lexington, Ky.-based Animal Safety Division, as well as the research teams in Randolph, Wisc., and Ayr, Scotland.

As Neogen's 2010 fiscal year begins, that effort is paying off. Our research teams in Lansing, Lexington, Scotland, and Wisconsin have numerous research projects in this year's plans. Many of these are expected to bring new or improved products during the current fiscal year.

"New product opportunities that fit Neogen's mission of food and animal safety have greatly expanded in the past year," said Herbert. "As the world has become smaller in terms of food imports and exports, and as regulations regarding food and animal safety are becoming more stringent throughout the world, there are a tremendous number of opportunities to enhance Neogen's growth."

The company's quick and easy diagnostics for mold toxins help ensure the safety of poultry feed, and its complete line of veterinary products have many applications for poultry and egg producers. Neogen's test for a specific microbial pathogen, *Salmonella enteritidis*, monitors egg production facilities for the presence of a dangerous bacterium with the ability to exist within an eggshell, and is expected to gain widespread use under recently announced FDA regulations.

As poultry and egg products move through processing facilities, Neogen's specific foodborne bacteria tests, general microbial tests, dehydrated culture media, food allergen tests, and sanitation monitoring tests, help ensure the safety of the products as they get closer to the table.

As the consequences of contaminated products reaching consumers have become even more apparent over the years, the role of effective sanitation has gained scrutiny. Gone are the days when good attempts at cleaning food contact surfaces sufficed. Food production contact surfaces must now be verified clean before further production can take place. Neogen's AccuPoint® ATP Sanitation Monitoring System has emerged as a leader in quickly and accurately verifying cleanliness.

FOOD CROPS

In addition to offering products that help ensure the health and safety of food and food-producing animals inside the farm gate, Neogen offers a full line of diagnostic products for food crops while still on the farm, and throughout their distribution and processing.

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

The company's rodenticides protect orchards and harvested crops from the severe damage and contamination a rodent outbreak can cause. Neogen's pathogen tests help ensure that farm fertilization practices have not contaminated crops with dangerous bacteria, including *E. coli* O157:H7. Neogen's extremely easy-to-use Agri-Screen® Ticket helps ensure that crops do not contain harmful residual levels of agricultural pesticides.

As food crops move outside of the farm gate, Neogen's diagnostics help ensure their safety and quality all the way to the consumer. The company's mycotoxin tests keep contaminated grain out of cereals and bakery products; its spoilage organism tests prevent such quality concerns as yeast and mold from contaminating a wide variety of food and nutraceutical products; and its food allergen tests prevent such allergenic threats as peanuts and hazelnuts from accidentally contaminating a non-allergenic product.

Neogen's Reveal® lateral flow tests for food allergens provide accurate and clear results in as little as 10 minutes. Veratox® (quantitative) and Alert® (screening) tests for peanut, egg, milk, almond, soy, hazelnut, and gliadin (gluten) residues require minimal training, and provide rapid test results.

Neogen believes that the companies that will thrive in the future are the ones that create solutions, and seize opportunities—wherever they may exist.

With 27 years of proven success, and a dedicated team of skilled employees with expertise and experience in multiple scientific and business disciplines, Neogen believes that it is perfectly positioned to seize the world of opportunity now and into the future.

Neogen named to Fortune's list of 40 stocks 'to retire on'

In 2009, Fortune Magazine named Neogen as a selection in its annual list of the "40 best stocks to retire on." Fortune first launched its Fortune 40 list in 2002, stating: "We wanted to assemble a diversified, dependable portfolio of stocks for the long term—a selection that could soar when the market did but also hold steady during darker times."

In its 2009 fiscal year, Neogen was also selected for the Russell 2000 and Standard & Poor's SmallCap 600 indexes, and was named to Fortune Magazine's annual list of America's 100 Fastest Growing Small Public Companies, and to Forbes Magazine's annual list of the 200 Best Small Companies in America for the fourth consecutive year and seventh time in the last nine years.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Revenue Recognition

Revenue from sales of products is recognized at the time title of goods passes to the buyer and the buyer assumes the risks and rewards of ownership, which is generally at the time of shipment. Where right of return exists, allowances are made at the time of sale to reflect expected returns based on historical experience.

Accounts Receivable Allowance

Management attempts to minimize credit risk by reviewing customers' credit history before extending credit and by monitoring credit exposure on a regular basis. An allowance for possible losses on accounts receivable is established based upon factors surrounding the credit risk of specific customers, historical trends and other information, such as changes in overall changes in customer credit and general credit conditions. Actual collections can differ from historical experience, and if economic or business conditions deteriorate significantly, adjustments to these reserves could be required.

Inventory

A reserve for obsolescence is established 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

Intangible Assets and Goodwill

Management assesses goodwill and other non-amortizable intangible assets for possible impairment on no less often than an annual basis. This test was performed in the fourth quarter of fiscal 2009 and it was determined that no impairment exists. There was also no impairment indicated for 2008 or 2007. In the event of changes in circumstances that indicate the carrying value of these assets may not be recoverable, management will make an assessment at any time. Factors that could cause an impairment review to take place would include:

- Significant under performance relative to expected historical or projected future operating results.
- Significant changes in the use of acquired assets or strategy of the Company.
- Significant negative industry or economic trends.

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

Equity Compensation Plans

Financial Accounting Standards Board Statement No. 123(R), "Share-Based Payment", (SFAS 123(R)) addresses the accounting for share-based employee compensation. Further information on the Company's equity compensation plans, including inputs used to determine fair value of options is disclosed in Note 5 to the consolidated financial statements. SFAS 123(R) requires that share options awarded to employees and shares of stock awarded to employees under certain stock purchase plans are recognized as compensation expense based on their fair value at grant date. The fair market value of options granted under the Company's stock option plans was estimated on the date of grant using the Black-Scholes option-pricing model using assumptions for inputs such as interest rates, expected dividends, volatility measures and specific employee exercise behavior patterns based on statistical data. Some of the inputs used are not market-observable and have to be estimated or derived from available data. Use of different estimates would produce different option values, which in turn would result in higher or lower compensation expense recognized.

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

RESULTS OF OPERATIONS

Executive Overview

For the 2009 fiscal year the Company reported a 16% increase in revenues as compared to the prior fiscal year and a continuation of the its record of profitability. Revenues for 2009 were $118,721,000, up from $102,418,000. The 2009 results reflect changes in currency exchange rates that had an unfavorable impact of $2.7 million on net sales denominated in foreign currencies. Net income per share was $0.92 in 2009, compared to $0.81 in the prior year. Both revenues and net income for the 2009 year established new all-time highs. These results came in a very difficult business environment. The Company's mission has shown some resilience to the economic downturn and importantly for the first time in any fiscal year and despite the worldwide turmoil in economic and currency markets, the Company's percentage of sales from customers outside the United States exceeded 40% of total revenues. Cash flow from operations for 2009 improved $3.1 million when compared to 2008 as the Company has implemented procedures and systems to better manage inventory and other current asset levels.

Comparing the 2009 performance of the Company's Scotland-based subsidiary to the prior year using British pounds, Neogen Europe recorded an exceptional 26% revenue gain. However, when Neogen Europe's 2009 revenues were translated into U.S. dollars in consolidation, its revenue gain was reduced to 3%. On a positive basis two acquisitions were completed during the year that added $9,748,000 to total income. The Company also acquired a majority position in its distributor in Mexico. While the Mexican acquisition had little effect on reported results in the current year, it is expected that it will add significantly to future growth.

Consolidated gross margins decreased 2% in 2009 to 50% from the effects of currency fluctuations, costs of integrating the acquisition of the disinfectant products and product mix. A reduction of operating expenses as a percentage of revenues resulted in only a 300 basis point decrease in operating margins and a 14% overall increase in dollars of operating margin.

The Company's financial performance continued to gain increased notice in the investment community in the past year, as it was selected for the Russell 2000 and Standard & Poor's SmallCap 600 indexes, and was named to Fortune Magazine's annual list of America's 100 Fastest Growing Small Public Companies, and to Forbes Magazine's annual list of the 200 Best Small Companies in America for the fourth consecutive year and seventh time in the last nine years.

REVENUES

	Twelve Months Ended				
(Dollars in thousands)	**May 31, 2009**	Increase/ (Decrease)	May 31, 2008	Increase/ (Decrease)	May 31, 2007
Food Safety:					
Natural Toxins, Allergens and Drug Residues	**$ 30,667**	6%	$ 29,036	15%	$ 25,238
Bacterial and General Sanitation	**18,539**	10%	16,866	24%	13,626
Dry Culture Media and Other	**11,819**	1%	11,762	42%	8,304
	61,025	6%	57,664	22%	47,165
Animal Safety:					
Life Sciences and Other	**5,730**	3%	5,567	13%	4,922
Vaccine	**2,207**	–	2,197	(25%)	2,938
Rodenticides and Disinfectants	**20,491**	99%	10,318	(6%)	10,926
Veterinary Instruments and Other	**29,268**	10%	26,672	32%	20,187
	57,696	29%	44,754	15%	38,973
Total Revenues	**$ 118,721**	16%	$ 102,418	19%	$ 86,138

The Company's Food Safety segment recorded a completely organic, broad-based 2009 revenue increase of 6% to $61,025,000. Adjusting for the impact of currency translation, organic growth was 11%.

The increase in Natural Toxins, Allergens & Drug Residues resulted from contributions of the food allergen product line that had another outstanding year of growth, with sales increasing by more than 40%. The dramatic increase in sales of each of Neogen's allergen tests is attributable to food producers increasing efforts to ensure that inadvertent allergenic ingredients do not contaminate non-allergenic foods. Sales of Food Safety's oldest product line, its rapid tests to detect natural toxins in grain, also saw significant improvement for the year, as tests for aflatoxin and deoxynivalenol (DON) improved by 10% compared to the prior year. Sales of these products, among all of the Company's products, are most affected by weather. However, continued world wide interest in toxin levels in human food and animal feed has positively affected sales. These were offset by an almost 10% decrease in revenues from drug residue tests principally as the result of currency changes.

Bacteria & General Sanitation sales had a good year despite several products that require a capital investment, including AccuPoint® readers and Soleris™ microbial detection instruments, that slowed in 2009 due to the impact of the economic downturn. However, sales of associated disposable AccuPoint samplers and Soleris vials increased sharply—providing evidence of the continued use and acceptance of these unique Food Safety products.

Dry Culture Media & Other were steady during the year as a result of the continued efforts of the sales and marketing staff in executing their sales plan, following a large increase in the prior year.

Revenues from the Company's Animal Safety segment grew 29% in 2009 compared to the prior year. While the successful integration of the acquired DuPont line of disinfectants and cleaners, and IDS drug residue diagnostics, contributed the majority of Animal Safety's revenue growth for the year, sales of existing product lines achieved organic growth of 4% for the year.

Many of the products Life Sciences & Other in this category are sold into the world wide eventing animal industry. These customers have been highly affected by the economic downturn. Management believes that any increase in this category is positive.

In total, revenues for the sales of vaccine products in FY 2009 were the same as in FY 2008, but sales of the vaccine to prevent equine botulism increased nearly 20%. Sales of immunostimulant injectibles offset the increases. This decrease was due to the difficult economic environment in FY 2009 as these products are used heavily in the hobby equine market.

Increases in Rodenticide & Disinfectants came principally as Animal Safety was able to capitalize on the acquisition of the disinfectant products from DuPont to drive agricultural disinfectants and cleaner products to near double-digit growth for the year. Sales of the new disinfectant products themselves exceeded expectations in their first year by more than 10%. Domestic sales of rodenticides also experienced strong growth of 11% for the year led by market share gains in agronomic markets.

Sales increases in the Veterinary Instrument & Other category were broad based but included significant contributions from the disposables product lines, experiencing widespread increases in the integrator and retail markets. 2008 increases included sales from the Kane acquisition but were offset partially by declining sales in equine supplements and certain wound care products.

In FY 2008, sales of Natural Toxins, Allergens & Drug Residues increased by 15% in comparison with FY 2007. Increases were broad based and resulted from deeper penetration in both the US and International markets following a year in which sales grew by 52%. Bacterial & General Sanitation products increased by 24% in FY 2008, as the AccuPoint ATP general sanitation test continued to gain momentum, domestically and internationally.

Dry Culture Media & Other Sales increased by 42% in FY 2008 as compared with FY 2007, as the Company focused their efforts on customer service and resolution of customer operating problems that resulted in steep sales increases for the year. Acumedia experienced gains in the sales for scientific related uses and experienced gains within the products for detection of E.coli in water.

Within the Animal Safety segment, sales of Life Sciences and Other Products increased by 13% in fiscal year 2008 in comparison with fiscal year 2007. Increases in 2008 were due to new direct international customers and instrument placements for forensic customers, sales of substrates and diagnostic research kits. Vaccine sales decreased by 25% in 2008 due to the timing of purchases by key domestic and international distributor purchasers.

Sales of Hacco Rodenticides and Hess and Clark disinfectants decreased by 6% in fiscal 2008. Revenue decreases were due to cyclical downturns in the rodenticide market. In general, mild and dry weather conditions in the western United States have led to fewer infestations in 2008.

Veterinary Instruments & Other sales increased in 2008 by 32% in large part due to increases related to the Kane Enterprises acquisition.

COST OF GOODS SOLD

(Dollars in thousands)	**2009**	**Increase**	2008	Increase	2007
Cost of Goods Sold	**$ 59,288**	**21%**	$ 49,185	18%	$ 41,575

Cost of goods sold increased by 21% in 2009 and by 18% in 2008 in comparison with the prior year. This compares against a 16% and 19% increase in revenues in 2009 and in 2008. Expressed as a percentage of revenues, cost of goods sold was 50%, 48% and 48% in 2009, 2008, and 2007 respectively. 2009 margins were adversely affected by the effects of currency conversion and the DuPont disinfectant acquisition, as the Company has not completed the transition to make the products in-house. The transition is expected to conclude in Fiscal Year 2010.

Food Safety gross margins were 63%, 63% and 60% in 2009, 2008 and 2007, respectively. Changes in margins between periods relate primarily to changes in product mix. Margins improved from 2007 as the effects of efficiencies resulting from investments in manufacturing facilities and the change to automate the manufacture of the ATP product.

Animal Safety gross margins were 37%, 38% and 41% in 2009, 2008 and 2007, respectively. Changes in margins between periods relate primarily to product mix, including the disinfectants acquired from DuPont. Gross margins in this segment were also adversely affected by a fall in rodenticide margins resulting from changes in commodity cost that have been difficult to reflect in prices.

OPERATING EXPENSES

(Dollars in thousands)	**2009**	**Increase**	2008	Increase	2007
Sales and Marketing	**$ 22,906**	**11%**	$ 20,648	12%	$ 18,463
General and Administrative	**11,484**	**5%**	10,927	17%	9,301
Research and Development	**4,555**	**25%**	3,639	10%	3,295

Sales and marketing expense categories increased by 11% in 2009 and by 12% in 2008 as compared with the prior year. As a percentage of sales, sales and marketing expense declined to 19% in 2009 as compared to 20% in 2008 and 2007. Management plans to continue to expand the Company's sales and marketing efforts both domestically and internationally and currently expects related expenses to remain approximately 20% as expressed as a percentage of sales.

General and administrative expenses increased by 5% in 2009 and by 17% in 2008. These expenses have remained between 10% and 11% over the past three fiscal years. Increases in 2009 and 2008 resulted primarily from the acquisitions as well as due to increased levels of operations and added amortization related to businesses acquired.

Research and development expenses increased by 25% in 2009 and 10% in 2008 in comparison with 2008 and 2007. As a percentage of revenue these expenses were 4% in each of the years ended May 31, 2009, 2008 and 2007, respectively. Although some fluctuation in research and development expenses will occur, management expects research and development expenses to approximate 4% to 6% of revenues over time. These expenses approximate 8% to 10% of revenues from products and product lines that are supported by research and development. Certain Company products require relatively less in research and development expenses.

OPERATING INCOME

(Dollars in thousands)	**2009**	**Increase**	2008	Increase	2007
Operating Income	**$ 20,488**	**14%**	$ 18,019	33%	$ 13,504

During fiscal year 2009 and 2008, the Company's operating income increased by 14% and 33% as compared to the respective prior year. As a percentage of revenues it was 17%, 18% and 16% in 2009, 2008 and 2007 respectively. The Company has been successful in improving its operating income in 2009 and 2008 from revenue growth from existing products and acquisitions and from control of manufacturing and distribution costs.

OTHER INCOME (NET)

(Dollars in thousands)	**2009**	**Increase**	2008	Increase	2007
Other Income — Interest and Other (Net)	**$ 1,136**	**137%**	$ 479	29%	$ 371

Other income increased by 137% in comparison with 2008 and increased by 29% in 2008 in comparison with 2007. Interest revenue is a result of the Company's increase in cash and cash equivalent position in the periods offset by decreased interest rates. Investment earnings were $258,000 in 2009, $442,000 in fiscal 2008 and $373,000 in 2007. In 2009 other income also included $300,000 from a one time royalty payment, $125,000 from a royalty payment expected to continue and $400,000 of gains from currency transaction. In general no such other income was earned in 2008 or 2007.

FEDERAL AND STATE INCOME TAXES

(Dollars in thousands)	**2009**	**Increase**	2008	Increase	2007
Federal and State Income Taxes	**$ 7,750**	**21%**	$ 6,400	35%	$ 4,750

Expressed as a percentage of income before tax, the tax provision was 36% in 2009, 35% in 2008 and 34% in 2007. Fluctuations in tax provision result from the increase of the company's federal tax rate to 35%, the localities where income is earned in any year and tax credits.

NET INCOME AND NET INCOME PER SHARE

(Dollars in thousands, except per share data)	**2009**	**Increase**	2008	Increase	2007
Net Income	**$ 13,874**	**15%**	$ 12,098	33%	$ 9,125
Net Income Per Share - Basic	**$ .95**		$ .84		$ .66
Net Income Per Share - Diluted	**$ .92**		$ .81		$ .64

Net income and net income per share increased by 15% in 2009 and 33% in 2008 in comparison with the prior year. As a percentage of revenue, net income was 12%, 12% and 11% in 2009, 2008 and 2007 respectively. All of the above factors contributed to the increase in net income.

FUTURE OPERATING RESULTS

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

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

FINANCIAL CONDITION AND LIQUIDITY

On May 31, 2009, the Company had $13,842,000 in cash and cash equivalents, working capital of $62,520,000 and stockholders' equity of $128,679,000. In addition to cash and cash equivalents, a bank line with unused borrowings of $10,000,000 was available if necessary to support ongoing operations or to make acquisitions.

Cash and cash equivalents decreased $428,000 during 2009. Cash provided from operations was $10,985,000 and stock option exercise proceeds provided an additional $2,916,000 of cash. Additions to property and equipment and other non-current assets used cash of $2,836,000. Property additions approximated the provision for depreciation in 2009.

Accounts receivable increased $4,075,000 or 21% when compared to May 31, 2008. This resulted from increased sales, as a result of organic sales growth and acquisitions and some lengthening of average days outstanding. These accounts are being actively managed and no losses thereon in excess of amounts reserved are currently expected. Days sales outstanding increased from 58 days at May 31, 2008 to 60 days at May 31, 2009.

Inventory levels increased 13% or $3,564,000 in 2009 as compared to 2008. The change in inventory came from increases related to higher levels of sales, inventory of acquired companies, new product introductions in food safety and increases to help provide for inventory cost stability and to aid in assurance of supplies in tightening markets. The Company has maintained a strategy of shipping inventory to many of its customers on a same day basis. Sufficient levels of inventory are maintained to assure that this strategy can be achieved. Late in 2009 and continuing into the new year the Company has instituted programs aimed at reducing inventory. Inventory was reduced $1.5 million in the 4th fiscal quarter.

The Company has no construction in progress and facilities are generally believed to be adequate to support existing operations in the short run.

Neogen has been profitable from operations for its last 65 quarters and has generated positive cash flow from operations during the period. However, the Company's current funds may not be sufficient to meet the Company's cash requirements to commercialize products currently under development or its plans to acquire additional technology and products that fit within the Company's mission statement. Accordingly, the Company may be required to or may choose to issue equity securities or enter into other financing arrangements for a portion of the Company's future capital needs.

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

CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations due by period:

(Dollars in thousands)	Total	Less than one year	1–3 years	3–5 years	More than 5 years
Long-Term Debt	$ –	$ –	$ –	$ –	$ –
Operating Leases	305,000	158,000	147,000	–	–
Unconditional Purchase Obligations	13,529,000	13,529,000	–	–	–
	$ 13,834,000	$ 13,687,000	$ 147,000	$ –	$ –

NEW ACCOUNTING PRONOUNCEMENTS

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

NEOGEN CORPORATION AND SUBSIDIARIES: CONSOLIDATED BALANCE SHEETS

May 31,	**2009**	2008
Assets		
Current Assets		
Cash and cash equivalents	**$ 13,842,000**	$ 14,270,000
Accounts receivable, less allowance of $600,000 and $500,000 at May 31, 2009 and 2008	**23,363,000**	19,384,000
Inventories	**31,363,000**	27,799,000
Deferred income taxes	**200,000**	1,225,000
Prepaid expenses and other current assets	**2,998,000**	2,953,000
Total Current Assets	**71,766,000**	65,631,000
Property and Equipment		
Land and improvements	**1,175,000**	1,146,000
Buildings and improvements	**11,184,000**	10,735,000
Machinery and equipment	**17,008,000**	15,295,000
Furniture and fixtures	**806,000**	818,000
	30,173,000	27,994,000
Less accumulated depreciation	**13,115,000**	11,105,000
Net Property and Equipment	**17,058,000**	16,889,000
Other Assets		
Goodwill	**39,717,000**	30,617,000
Other non-amortizable intangible assets	**3,730,000**	3,435,000
Customer based intangibles, net of accumulated amortization of $2,861,000 and $1,988,000 at May 31, 2009 and 2008	**6,143,000**	6,139,000
Other non-current assets, net of accumulated amortization of $1,663,000 and $1,373,000 at May 31, 2009 and 2008	**3,762,000**	3,646,000
Total Other Assets	**53,352,000**	43,837,000
	$ 142,176,000	$ 126,357,000
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	**$ 3,909,000**	$ 6,505,000
Accruals		
Compensation and benefits	**2,519,000**	2,025,000
Federal income taxes	**667,000**	302,000
Other	**2,151,000**	2,304,000
Total Current Liabilities	**9,246,000**	11,136,000
Deferred Income Taxes	**2,725,000**	2,329,000
Other Long-Term Liabilities	**1,526,000**	1,644,000
Total Liabilities	**13,497,000**	15,109,000
Stockholders' Equity		
Preferred stock, $1.00 par value - shares authorized 100,000; none issued and outstanding	**–**	–
Common stock, $0.16 par value - shares authorized 30,000,000; 14,736,886 and 14,518,277 shares issued and outstanding at May 31, 2009 and 2008	**2,358,000**	2,323,000
Additional paid-in capital	**63,162,000**	58,789,000
Accumulated other comprehensive income (loss)	**(430,000)**	421,000
Retained earnings	**63,589,000**	49,715,000
Total Stockholders' Equity	**128,679,000**	111,248,000
	$ 142,176,000	$ 126,357,000

See accompanying notes to consolidated financial statements.

NEOGEN CORPORATION AND SUBSIDIARIES: CONSOLIDATED STATEMENTS OF INCOME

Year Ended May 31	2009	2008	2007
Net Sales	**$118,721,000**	$ 102,418,000	$ 86,138,000
Cost of Goods Sold	**59,288,000**	49,185,000	41,575,000
Gross Margin	**59,433,000**	53,233,000	44,563,000
Operating Expenses			
Sales and marketing	**22,906,000**	20,648,000	18,463,000
General and administrative	**11,484,000**	10,927,000	9,301,000
Research and development	**4,555,000**	3,639,000	3,295,000
	38,945,000	35,214,000	31,059,000
Operating Income	**20,488,000**	18,019,000	13,504,000
Other Income			
Interest income	**248,000**	442,000	358,000
Royalty income	**429,000**	–	–
Other	**459,000**	37,000	13,000
	1,136,000	479,000	371,000
Income Before Income Taxes	**21,624,000**	18,498,000	13,875,000
Provision for Income Taxes	**7,750,000**	6,400,000	4,750,000
Net Income	**$ 13,874,000**	$ 12,098,000	$ 9,125,000
Net Income Per Share			
Basic	**$ 0.95**	$ 0.84	$ 0.66
Diluted	**$ 0.92**	$ 0.81	$ 0.64

See accompanying notes to consolidated financial statements.

NEOGEN CORPORATION AND SUBSIDIARIES: CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Other Income (Loss)[1]	Retained Earnings	Total Stockholders' Equity
Balance, June 1, 2006	12,465,936	$ 1,994,000	$ 34,853,000	$ 85,000	$ 28,492,000	$ 65,424,000
Issuance of Common Stock	975,000	156,000	12,838,000			12,994,000
Exercise of options and warrants, net of share based compensation, including $460,000 income tax benefit	565,586	90,000	3,825,000			3,915,000
Issuance of shares under Employee Stock Purchase Plan	14,284	3,000	183,000			186,000
Comprehensive income:						
Net income for 2007					9,125,000	9,125,000
Foreign currency translation adjustments				301,000		301,000
Total comprehensive income						9,426,000
Balance, May 31, 2007	14,020,806	2,243,000	51,699,000	386,000	37,617,000	91,945,000
Exercise of options and warrants, net of share based compensation, including $747,000 income tax benefit	482,960	78,000	6,865,000			6,943,000
Issuance of shares under Employee Stock Purchase Plan	14,511	2,000	225,000			227,000
Comprehensive income:						
Net income for 2008					12,098,000	12,098,000
Foreign currency translation adjustments				35,000		35,000
Total comprehensive income						12,133,000
Balance, May 31, 2008	14,518,277	2,323,000	58,789,000	421,000	49,715,000	111,248,000
Exercise of options and warrants, net of share based compensation, including $682,000 income tax benefit	255,188	41,000	4,992,000			5,033,000
Issuance of shares under Employee Stock Purchase Plan	13,210	2,000	296,000			298,000
Repurchase of Common Stock	(49,789)	(8,000)	(915,000)			(923,000)
Comprehensive income:						
Net income for 2009					13,874,000	13,874,000
Foreign currency translation adjustments				(851,000)		(851,000)
Total comprehensive income						13,023,000
Balance, May 31, 2009	**14,736,886**	**$ 2,358,000**	**$63,162,000**	**$ (430,000)**	**$ 63,589,000**	**$ 128,679,000**

See accompanying notes to consolidated financial statements.

[1] Other represents accumulated other comprehensive income (loss).

NEOGEN CORPORATION AND SUBSIDIARIES: CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended May 31	**2009**	2008	2007
Cash Flows From Operating Activities			
Net income	**$ 13,874,000**	$ 12,098,000	$ 9,125,000
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	**3,890,000**	3,516,000	2,840,000
Deferred income taxes	**1,550,000**	450,000	813,000
Share based compensation	**1,967,000**	1,892,000	1,293,000
Excess income tax benefit from the exercise of stock options	**(682,000)**	(747,000)	(460,000)
Other	**–**	253,000	367,000
Changes in operating assets and liabilities, net of business acquisitions:			
Accounts receivable	**(4,075,000)**	(3,869,000)	(1,798,000)
Inventories	**(3,698,000)**	(6,364,000)	(1,490,000)
Prepaid expenses and other current assets	**(49,000)**	(122,000)	(553,000)
Accounts payable	**(2,648,000)**	1,666,000	1,675,000
Accruals and other changes	**856,000**	(900,000)	(1,654,000)
Net Cash From Operating Activities	**10,985,000**	7,873,000	10,158,000
Cash Flows Used In Investing Activities			
Purchases of property, equipment and other noncurrent assets	**(2,836,000)**	(2,471,000)	(4,704,000)
Business acquisitions, net of cash acquired	**(11,134,000)**	(10,147,000)	–
Net Cash Used In Investing Activities	**(13,970,000)**	(12,618,000)	(4,704,000)
Cash Flows From (Used In) Financing Activities			
Net proceeds from issuance of common stock	**–**	–	12,994,000
Exercise of options	**2,916,000**	5,060,000	2,441,000
Repurchase of common stock	**(923,000)**	–	–
Payments on long-term debt	**–**	–	(9,955,000)
Excess income tax benefit from the exercise of stock options	**682,000**	747,000	460,000
Increase (Decrease) in other long-term liabilities	**(118,000)**	(216,000)	71,000
Net Cash From Financing Activities	**2,557,000**	5,591,000	6,011,000
Net Increase (Decrease) In Cash	**(428,000)**	846,000	11,465,000
Cash And Cash Equivalents At Beginning Of Year	**14,270,000**	13,424,000	1,959,000
Cash And Cash Equivalents At End Of Year	**$ 13,842,000**	$ 14,270,000	$ 13,424,000
Supplemental Cash Flow Information			
Income taxes paid, net of refunds	**$ 7,386,000**	$ 7,475,000	$ 3,295,000

See accompanying notes to consolidated financial statements.

NEOGEN CORPORATION AND SUBSIDIARIES: NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Nature of Operations

Neogen Corporation develops, manufactures, and sells a diverse line of products dedicated to food safety testing and animal health applications.

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 Latinoamerica S.A.P.I. DE C.V. which is 60% owned.

All intercompany accounts and transactions have been eliminated in consolidation.

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 stockholders' equity. Accumulated other comprehensive income (loss) consists solely of foreign currency translation adjustments.

Accounts Receivable and Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. Management attempts to minimize credit risk by reviewing customers' credit history before extending credit and by monitoring credit exposure on a regular basis. An allowance for possible losses on accounts receivable is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. Collateral or other security is generally not required for accounts receivable. Only one customer accounted for more than 10% of accounts receivable at May 31, 2009 and 2008. As May 31, 2009 and 2008 the balance due from that customer was $2,879,000 or 12.3% and $2,536,000 or 12.8%, respectively of the total of all outstanding accounts receivables.

The Company maintains a valuation allowance for accounts receivable of $600,000 at May 31, 2009 and $500,000 at May 31, 2008 and 2007. Expenses related to uncollectable accounts and allowance adjustments were $199,000, $54,000 and $30,000 in the years ended May 31, 2009, 2008 and 2007 respectively. Write-offs were $99,000, $54,000 and $60,000 in the years ended May 31, 2009, 2008 and 2007 respectively.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including accounts receivable, accounts payable, and accrued expenses approximate fair value based on either their short maturity or current terms for similar instruments.

Cash and Cash Equivalents

Cash and cash equivalents are used to support current operations and may be invested to take advantage of short-term investment opportunities. The Company invests in only high quality, Federally insured certificates of deposit with original maturity dates of less than 90 days and corporate commercial paper in 2008. The cost of these assets approximate fair market value at May 31, 2009 and 2008. Cash equivalents were $5,344,000 and $12,185,000 at May 31, 2009 and 2008, respectively.

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 follow:

	2009	2008
Raw materials	**$ 11,183,000**	$ 10,278,000
Work-in-process	**703,000**	598,000
Finished and purchased finished goods	**19,477,000**	16,923,000
	$ 31,363,000	$ 27,799,000

No less frequently than quarterly, inventory is analyzed for slow moving and obsolete inventory and the valuation allowance adjusted as required. Write offs against the allowance are not separately identifiable. The valuation allowance for inventory was $1,025,000, $700,000 and $510,000 at May 31, 2009, 2008 and 2007.

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 thirty-nine years for buildings and improvements and three to five years for furniture, machinery and equipment. Depreciation expense was $2,560,000, $2,360,000, and $1,901,000 in 2009, 2008 and 2007, respectively.

Goodwill and Intangible Assets

Goodwill represents the excess of purchase price over fair value of tangible net assets of acquired businesses after amounts allocated to other intangible assets. In general, goodwill is amortizable for tax purposes over 15 years. Other intangible assets include customer relationships' trademarks, licenses, trade names and patents. Amortizable intangible assets are amortized on either an accelerated or a straight-line basis over five to twenty years. The Company reviews the carrying amounts of goodwill and other non-amortizable intangible assets annually to determine if such assets may be impaired. If the carrying amounts of these assets are deemed to be less than fair value based upon a discounted cash flow analysis, such assets are reduced to their estimated fair value. The remaining weighted-average amortization period for customer based intangibles and other intangibles is 10.5 and 10.1 years respectively at May 31, 2009.

Long-lived Assets

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

Reclassifications

Certain amounts in the 2008 and 2007 financial statements have been reclassified to conform to the 2009 presentation.

Stock Options

At May 31, 2009, the Company had stock option plans that are described more fully in Note 5.

The weighted-average fair value per share of options granted during 2009, 2008 and 2007, estimated on the date of grant using the Black-Scholes option pricing model, was $8.16, $6.91 and $5.69, respectively. The fair value of options granted was estimated using the following weighted-average assumptions:

	2009	2008	2007
Risk-free interest rate	**2.9%**	4.6%	4.7%
Expected dividend yield	**0%**	0%	0%
Expected stock price volatility	**32.8%**	34.2%	46.5%
Expected option life	**4.0 years**	4.0 years	4.0 years

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

Revenue Recognition

Revenue from sales of products is recognized at the time title of goods passes to the buyer and the buyer assumes the risks and rewards of ownership, which generally is at the time of shipment. Where right of return exists, allowances are made at the time of sale to reflect expected returns based on historical experience.

Shipping and Handling Costs

Shipping and handling costs that are charged to and reimbursed by the customer are recognized as sales, while the related expenses incurred by the Company are recorded in sales and marketing expense and totaled $4,266,000, $3,888,000 and $3,426,000 in 2009, 2008 and 2007, respectively.

Income Taxes

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

No provision has been made for United States federal income taxes that may result from future remittances of the undistributed earnings of foreign subsidiaries because it is expected that such earnings will be reinvested overseas indefinitely. At May 31, 2009 retained earnings of the UK subsidiary were $4,273,000.

Research and Development Costs

Research and Development costs are expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred and totaled $603,000, $424,000 and $393,000 in 2009, 2008 and 2007, respectively.

Net Income Per Share

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

Year ended May 31,	**2009**	2008	2007
Numerator for basic and diluted net income per share			
Net income	**$ 13,874,000**	$ 12,098,000	$ 9,125,000
Denominator			
Denominator for basic net income per share weighted average shares	**14,669,000**	14,474,000	13,791,000
Effect of dilutive stock options and warrants	**389,000**	525,000	370,500
Denominator for diluted net income per share	**15,058,000**	14,999,000	14,161,500
Net income per share			
Basic	**$ 0.95**	$ 0.84	$ 0.66
Diluted	**$ 0.92**	$ 0.81	$ 0.64

In 2009, approximately 278,000 options were excluded from the computations of net income per share as the option prices exceeded the average market price of the common shares. No options were excluded in 2008 or 2007.

New Accounting Pronouncements

In December 2007, SFAS No. 141 "Business Combinations (revised 2007)" (SFAS 141(R)) was issued. The revision is intended to converge rulemaking and reporting under U.S. Generally Accepted Accounting Principles (GAAP) with international accounting rules. SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) when adopted on June 1, 2009 is not expected to affect existing accounting for acquisitions.

SFAS No. 160 requires all entities to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements. Its intention is to eliminate the diversity in practice regarding the accounting for transactions between and entity and noncontrolling interests. The Company is required to adopt the provisions of both SFAS 141 (R) and SFAS 160 simultaneously at the beginning of fiscal 2010. Earlier adoption is prohibited. SFAS 160 when adopted on June 1, 2009, is not expected to have a material impact on the Company's results of operations or financial position.

In April 2009 the FASB issued FSP No. FAS 107-1: "Disclosures about Fair Value of Financial Instruments" to require disclosures about fair value of financial instruments for interim and annual reporting periods of publicly traded companies. The Company will adopt FSP FAS 107-1 during the quarter ended in August 31, 2009. The statement is not expected to have any impact on the Company's results of operations or financial position.

In May 2009, the FASB issued SFAS No. 165: "Subsequent Events," which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009. The adoption of this standard during the quarter ended August

31, 2009 is not expected to have any impact on the Company's results of operations or financial position.

2. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company follows the provisions of SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 142 prohibits the amortization of goodwill and intangible assets with indefinite lives and requires that the Company evaluate these intangibles for impairment on an annual basis. Management has completed the required annual impairment tests of goodwill and intangible assets with indefinite lives as prescribed by SFAS No. 142 as of the first day of the fourth quarter of 2009 and determined that recorded amounts were not impaired and that no write-down was necessary.

The following table summarizes goodwill by business segment:

	Food Safety	Animal Safety	Total
Balance, June 1, 2007	$ 12,397,000	$ 12,051,000	$ 24,448,000
Goodwill acquired	4,000	6,165,000	6,169,000
Balance, May 31, 2008	12,401,000	18,216,000	30,617,000
Goodwill acquired	114,000	8,986,000	9,100,000
Balance, May 31, 2009	**$ 12,515,000**	**$ 27,202,000**	**$ 39,717,000**

At May 31, 2009, non-amortizable intangible assets included licenses of $554,000, trademarks of $1,952,000 and customer relationship intangibles of $1,224,000. At May 31, 2008, non-amortizable assets consisted of licenses of $370,000, trademarks of $1,841,000 and customer relationship intangibles of $1,224,000.

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

	Gross Carrying Amount	Less Accumulated Amortization	Net Carrying Amount
Licenses	$ 1,101,000	$ 525,000	$ 576,000
Covenants not to compete	95,000	63,000	32,000
Patents	3,007,000	785,000	2,222,000
Customer relationship intangibles	8,127,000	1,988,000	6,139,000
Balance, May 31, 2008	$ 12,330,000	$ 3,361,000	$ 8,969,000
Licenses	$ 1,225,000	$ 583,000	$ 642,000
Covenants not to compete	70,000	35,000	35,000
Patents	3,513,000	1,045,000	2,468,000
Customer relationship intangibles	9,004,000	2,861,000	6,143,000
Balance, May 31, 2009	$ 13,812,000	$ 4,524,000	$ 9,288,000

Amortization expense for other intangibles totaled $1,330,000, $1,156,000 and $939,000 in 2009, 2008 and 2007, respectively. The estimated amortization expense for each of the five succeeding years is as follows: $1,403,000 in 2010, $1,313,000 in 2011, $1,244,000 in 2012, $1,177,000 in 2013, and $1,109,000 in 2014. The other amortizable intangible assets useful lives are 5 to 20 years for licenses, 5 years for covenants not to compete, 5 to 17 years for patents, and 12 to 20 years for customer relationship intangibles. All intangibles are amortized on a straight line basis with the exception of customer based intangibles which are amortized on an accelerated basis.

3. BUSINESS ACQUISITIONS

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

On August 24, 2007, Neogen Corporation purchased the operating assets of Brandon, South Dakota based Kane Enterprises, Inc. Consideration for the purchase, including additional net current assets of $800,000, consisted of $6,600,000 of cash. The allocation of the purchase price consisted of $600,000 in accounts receivables, $1,775,000 in inventory, $55,000 in fixed assets, $4,350,000 in goodwill and other intangible assets (estimated useful lives of 5-15 years) and $180,000 in assumed liabilities. The acquisition has been integrated into the Lexington, Kentucky operations and is a strong synergistic fit with the Company's Animal Safety product line.

On December 3, 2007, Neogen Corporation purchased the operating assets of Winnipeg, Manitoba based Rivard Instruments Inc., a manufacturer of veterinary instruments. Consideration for the purchase was cash of $3,469,000. The preliminary allocation of the purchase price consisted of $468,000 in inventory, $5,000 in fixed assets and $2,996,000 in goodwill and other intangible assets (estimated useful lives of 13-17 years). The acquisition has been integrated into the Lexington, Kentucky operations is a strong synergistic fit with the Company's Animal Safety product line.

On June 30, 2008, Neogen Corporation purchased a disinfectant business from DuPont Animal Health Solutions. The products of this business are used in animal health hygiene applications. Assets acquired include 14 different product formulations, associated registrations, patents, trademarks, and other intangibles (estimated useful lives of 5-15 years). As a part of the acquisition the Company obtained the right to distribute certain other related DuPont products in North America. DuPont will distribute certain of the newly acquired Neogen products in certain international markets. Consideration for the purchase was $7,000,000 with potential additional payments of up to $5,000,000 based upon future revenues. On a preliminary basis, the purchase price has been assigned to intangible assets.

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

On May 4, 2009, Neogen Corporation acquired International Diagnostics Systems Corporation, a St. Joseph, Michigan based developer, manufacturer and marketer of test kits to detect drug residues in food and animal feed, and drugs in forensic and animal samples. International Diagnostic Systems reported sales of $2 million in its most recently completed fiscal year prior to the acquisition. The preliminary allocation included net current assets of $498,000 and intangible assets of $2,964,000 (estimated useful lives of 5-15 years).

4. LONG-TERM DEBT

The Company has a financing agreement with a bank (nothing drawn at May 31, 2009) providing for an unsecured revolving line of credit of $10,000,000 that matures on December 1, 2010. Interest is at LIBOR plus 125 basis points (rate under the terms of the agreement was 1.57% at May 31, 2009). Financial covenants include maintaining specified funded debt to EBITDA and debt service ratios, each of which the Company is in compliance with at May 31, 2009.

5. EQUITY COMPENSATION PLANS

Qualified and non-qualified options to purchase shares of common stock may be granted to directors, officers and employees of the Company under the terms of the Company's stock option plans at an exercise price of not less than the fair market value of the stock on the date of grant. The number of shares initially authorized for issuance under current and now expired plans total 5,074,219. Remaining shares available for grant under stock option plans were 723,000, 983,000 and 599,000 at May 31, 2009, 2008 and 2007, respectively. Options vest and the contractual terms are generally five years.

	Shares	Weighted-Average Exercise Price
Outstanding at June 1, 2006 (867,947 exercisable)	1,842,158	$ 9.35
Granted	322,500	13.53
Exercised	(636,018)	7.28
Forfeited	(14,939)	9.43
Outstanding at May 31, 2007 (688,011 exercisable)	1,513,701	11.10
Granted	389,756	20.54
Exercised	(473,189)	9.02
Forfeited	(20,791)	14.03
Outstanding at May 31, 2008 (517,983 exercisable)	1,409,477	14.36
Granted	278,000	27.16
Exercised	(260,201)	10.85
Forfeited	(17,765)	8.60
Outstanding at May 31, 2009 (555,299 exercisable)	**1,409,511**	**$ 17.51**

The following is a summary of stock options outstanding at May 31, 2009:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number	Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$ 3.33–3.67	3,752	0.85	$ 3.55	3,752	$ 3.50
6.35–7.41	8,625	2.79	6.95	8,625	6.95
10.13–13.63	744,353	2.88	12.59	464,426	12.28
20.33–27.28	652,781	5.32	23.33	78,496	20.67
$ 3.33–27.28	1,409,511	4.00	$ 17.51	555,299	$ 13.33

The weighted-average exercise price of shares that were exercisable at May 31, 2008 and 2007 was $11.35 and $9.72, respectively.

The aggregate intrinsic value of options outstanding and options exercisable was $10,826,000 and $5,869,000 at May 31, 2007, $16,879,000 and $7,762,000 at May 31, 2008 and $7,850,000 and $4,855,000 at May 31, 2009. The aggregate intrinsic value of options exercised during the year was $6,547,000 in 2007 and $6,783,000 in 2008 and $4,099,000 in 2009. Remaining compensation cost for non-vested shares was $2,323,000 at May 31, 2009.

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

	Shares	Weighted-Average Exercise Price
Outstanding warrants at June 1, 2006	81,938	$ 9.69
Warrants exercised during the year	(9,375)	6.99
Warrants granted during the year	12,000	13.53
Warrants forfeited during the year	(3,750)	9.43
Outstanding warrants at May 31, 2007	80,813	10.58
Warrants exercised during the year	(26,813)	8.14
Outstanding warrants at May 31, 2008	54,000	11.79
Warrants exercised during the year	(15,750)	10.83
Warrants forfeited during the year	(3,750)	10.13
Outstanding warrants at May 31, 2009	**34,500**	**$ 12.60**

Common stock totaling 39,954 of the 100,000 originally authorized shares are reserved for issuance under the terms of the 2002 Employee Stock Purchase Plan. The plan gives eligible employees the option to purchase common stock (total purchases in any year are limited to 10% of compensation) at 95% of the lower of the market value of the stock at the beginning or end of each participation period. Shares purchased by employees were 13,210, 14,511 and 9,523 in 2009, 2008 and 2007, respectively.

6. INCOME TAXES

The provision for income taxes consisted of the following:

Year ended May 31,	**2009**	2008	2007
Current:			
U.S. Federal	**$ 5,200,000**	$ 5,200,000	$ 3,739,000
Foreign	**500,000**	400,000	250,000
State (Credit)	**500,000**	350,000	(52,000)
Deferred	**1,550,000**	450,000	813,000
	$ 7,750,000	$ 6,400,000	$ 4,750,000

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:

May 31,	**2009**	2008
Deferred income tax liabilities		
Depreciation and amortization	**$ (4,079,000)**	$ (3,066,000)
Prepaids	**(229,000)**	(128,000)
Other	**(451,000)**	(148,000)
	(4,759,000)	(3,342,000)
Deferred income tax assets		
Inventories and accounts receivable	**844,000**	735,000
Acquired net operating loss carry forwards	**229,000**	100,000
Accrued liabilities and other	**1,161,000**	1,403,000
	2,234,000	2,238,000
Net deferred income tax liabilities	**$ (2,525,000)**	$ (1,104,000)

The acquired net operating loss carry forwards resulted in a deferred tax asset of $229,000, of which $100,000 will expire in 2011 and $129,000 will expire in 2019.

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

Year ended May 31,	**2009**	2008	2007
Tax at U.S. statutory rates	**$7,600,000**	$ 6,374,000	$ 4,756,000
Tax credits and other	**(180,000)**	(194,000)	28,000
Provisions for state income taxes, net of federal benefit	**330,000**	220,000	(34,000)
	$7,750,000	$ 6,400,000	$ 4,750,000

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), on June 1, 2007. The adoption of FIN 48 had no significant affect on the financial statements. The Company has no significant accrual for unrecognized tax benefits at May 31, 2009. Should the accrual of any interest of penalties relative to unrecognized tax benefits be necessary, such accruals will be reflected within income tax accounts. For the majority of tax jurisdictions, the Company is no longer subject to U.S. Federal, State and local or non U.S. income tax examinations by tax authorities for fiscal years before 2006.

7. COMMITMENTS AND CONTINGENCIES

The Company is involved in environmental remediation and monitoring activities at its Randolph, Wisconsin manufacturing facility and accrues for related costs when such costs are determined to be probable and estimable. The Company is currently expensing annual costs of remediation of approximately $90,000. The Company's estimated liability for this expense of $916,000 at May 31, 2009 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 royalties on the sale of certain products. Royalty expense under the terms of these agreements for was $1,184,000, $1,231,000 and $1,124,000 for 2009, 2008 and 2007, respectively.

The Company leases office and manufacturing facilities under noncancelable operating leases. Rent expense for 2009, 2008 and 2007 was $336,000, $326,000 and $346,000, respectively. Future minimum rental payments for these leases over the remaining terms are as follows: 2010 - $158,000; 2011 - $99,000; and 2012 - $48,000.

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

8. DEFINED CONTRIBUTION BENEFIT PLAN

The Company maintains a defined contribution 401(k) benefit plan covering substantially all employees. Employees are permitted to defer up to IRS limits, with the Company matching 100% of the first 3% deferred and 50% of the next 2% deferred. The Company's expense under this plan was $542,000, $476,000 and $409,000 in 2009, 2008 and 2007, respectively.

9. SEGMENT INFORMATION

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

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

Segment information is as follows:

	Food Safety	Animal Safety	Corporate and Eliminations (1)	Total
2009				
Net sales to external customers	**$ 61,025,000**	**$ 57,696,000**	**$ –**	**$118,721,000**
Operating income	**14,943,000**	**6,786,000**	**(1,241,000)**	**20,488,000**
Depreciation and amortization	**2,717,000**	**1,173,000**	**–**	**3,890,000**
Interest income	**–**	**–**	**248,000**	**248,000**
Income taxes	**5,356,000**	**2,432,000**	**(38,000)**	**7,750,000**
Total assets	**61,322,000**	**69,559,000**	**11,295,000**	**142,176,000**
Expenditures for long-lived assets	**1,882,000**	**954,000**	**–**	**2,836,000**
2008				
Net sales to external customers	$ 57,664,000	$ 44,754,000	$ –	$ 102,418,000
Operating income	14,245,000	4,972,000	(1,198,000)	18,019,000
Depreciation and amortization	2,495,000	1,021,000	–	3,516,000
Interest income	–	–	442,000	442,000
Income taxes	5,060,000	1,766,000	(426,000)	6,400,000
Total assets	60,951,000	52,236,000	13,170,000	126,357,000
Expenditures for long-lived assets	1,850,000	621,000	–	2,471,000
2007				
Net sales to external customers	$ 47,165,000	$ 38,973,000	$ –	$ 86,138,000
Operating income	9,619,000	4,845,000	(960,000)	13,504,000
Depreciation and amortization	1,952,000	888,000	–	2,840,000
Interest income	–	–	358,000	358,000
Income taxes	3,383,000	1,704,000	(337,000)	4,750,000
Total assets	55,426,000	39,104,000	10,754,000	105,284,000
Expenditures for long-lived assets	3,692,000	1,012,000	–	4,704,000

(1) Includes corporate assets, including cash and cash equivalents and current and deferred tax accounts, and overhead expenses not allocated to specific business segments. Also includes the elimination of intersegment transactions and minority interests.

Sales to customers located outside the United States amounted to $48,678,000 or 41% of consolidated sales in 2009, $39,333,000 or 38% in 2008 and $32,727,000 or 38% in 2007 and were derived primarily in the geographic areas of South and Central America, and Canada, Asia and Europe. Revenues from one Food Safety distributor customer were 9.8% in 2009 and 11.9% in 2008 of total revenues. No other customer represented revenues in excess of 10% of consolidated net sales. The United States based operations represent 97% of the Company's long-lived assets as of May 31, 2008 and 2009.

10. STOCK REPURCHASE

In December 2008, the Company's Board of Directors rescinded an existing program and authorized a new program to purchase, subject to market conditions, up to 500,000 shares of the Company's common stock. As of May 31, 2009, 49,789 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 2008 or 2007 under the rescinded program. Shares purchased under the program were retired.

11. SUMMARY OF QUARTERLY DATA (UNAUDITED)

	Quarter Ended			
	August 2007	November 2007	February 2008	May 2008
	In thousands, except per share data			
Net sales	$ 22,909	$ 27,210	$ 25,180	$ 27,119
Gross margin	12,297	14,171	12,663	14,102
Net income	3,011	3,254	2,658	3,175
Basic net income per share	.21	.23	.19	.22
Diluted net income per share	.21	.22	.18	.21

	Quarter Ended			
	August 2008	November 2008	February 2009	May 2009
	In thousands, except per share data			
Net sales	$ 28,805	$ 31,187	$ 27,840	$ 30,889
Gross margin	14,804	16,125	13,027	15,477
Net income	3,733	3,901	2,823	3,417
Basic net income per share	.26	.27	.19	.23
Diluted net income per share	.25	.26	.19	.22

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

REPORTS

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders of Neogen Corporation,

The management of Neogen Corporation is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Neogen Corporation's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Neogen Corporation's management assessed the effectiveness of the Company's internal control over financial reporting as of May 31, 2009 under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Based on that assessment, management believes that, as of May 31, 2009 the Company's internal control over financial reporting is effective.

James L. Herbert
Chairman and CEO

Richard R. Current
Vice President and CFO

August 14, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Neogen Corporation,

We have audited Neogen Corporation's internal control over financial reporting as of May 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Neogen Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Neogen Corporation maintained, in all material respects, effective internal control over financial reporting as of May 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Neogen Corporation as of May 31, 2009 and 2008, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended May 31, 2009, and our report dated August 14, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

Grand Rapids Michigan, August 14, 2009

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, 2009 and 2008, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended May 31, 2009. 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, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 31, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Neogen Corporation's internal control over financial reporting as of May 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 14, 2009 expressed an unqualified opinion thereon.

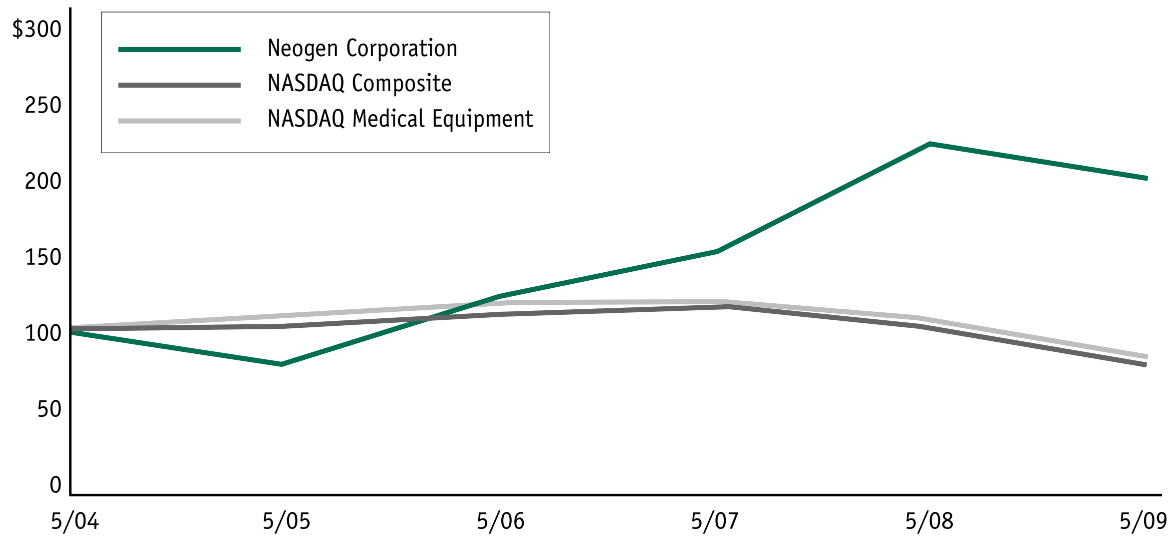
Ernst + Young LLP

Grand Rapids Michigan, August 14, 2009

NEOGEN CORPORATION AND SUBSIDIARIES: COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN AND STOCK PROFILE ACTIVITY

Comparison of Five Year Cumulative Total Return*

Among Neogen Corporation, The NASDAQ Composite Index,
and The NASDAQ Medical Equipment Index



*$100 invested on May 31, 2004 in stock or index, including reinvestment of dividends. Fiscal year ending May 31.

	5/04	5/05	5/06	5/07	5/08	5/09
Neogen Corporation	$100.00	$91.47	$128.87	$172.96	$249.59	$208.84
NASDAQ Composite	100.00	104.91	113.08	136.66	132.60	92.61
NASDAQ Medical Equipment	100.00	108.12	121.21	140.36	141.40	93.69

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

STOCK PROFILE ACTIVITY

The Company's common stock is traded in the over-the-counter market and quoted in the NASDAQ National Market System under the symbol NEOG. Price ranges reported are based on inter-dealer sale quotations, as reported by NASDAQ, without adjustments for markups, markdowns, or commissions typically paid by retail investors, and may not represent actual transactions. No cash dividends have ever been paid, and the Company does not currently anticipate paying cash dividends in the foreseeable future. As of July 31, 2009, there were approximately 525 stockholders of record of Common Stock that management believes represents a total of approximately 5,625 beneficial holders.

Year Ended		High	Low
May 31, 2009	Fourth Quarter	$ **23.97**	$ **16.50**
	Third Quarter	27.56	19.66
	Second Quarter	31.95	19.10
	First Quarter	28.50	22.20
May 31, 2008	Fourth Quarter	$ 27.99	$ 23.89
	Third Quarter	28.50	20.35
	Second Quarter	27.93	20.20
	First Quarter	22.12	17.24

NEOGEN CORPORATION OFFICERS AND DIRECTORS

OFFICERS

James L. Herbert
Chairman of the Board
Chief Executive Officer

Lon M. Bohannon
President
Chief Operating Officer

Richard R. Current
Vice President
Chief Financial Officer & Secretary

Edward L. Bradley
Vice President, Food Safety

Kenneth V. Kodilla
Vice President
Manufacturing

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

Anthony E. Maltese
Vice President
Corporate Development

Terri A. Morrical
Vice President
Animal Safety

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

Paul S. Satoh, Ph.D.
Vice President
Basic and Exploratory Research

DIRECTORS

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

Lon M. Bohannon
Neogen Corporation
President
Chief Operating Officer

Robert M. Book
Agrivista, Inc.
President
Elanco Products Company
Former Vice President

A. Charles Fischer
Dow AgroSciences
Former President & CEO

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

G. Bruce Papesh
Dart, Papesh & Co.
President

Jack C. Parnell
Kahn, Soares & Conway
U.S. Department of Agriculture
Former Deputy Secretary

Thomas H. Reed
JBS Packerland
Special Assistant to the President

Clayton K. Yeutter, Ph.D.
Hogan & Hartson, LLP
Senior Advisor, International Trade
U.S. Department of Agriculture
Former Secretary

LEGAL COUNCIL

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

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

FORM 10-K AND THE COMPANY'S CODE OF ETHICS

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

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

STOCK TRANSFER AGENT AND REGISTRAR

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

ANNUAL MEETING

10:00 a.m.
October 8, 2009
University Club of Michigan State University
3435 Forest Road
Lansing, MI 48909

NE008-0809

NEOGEN CORPORATION

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