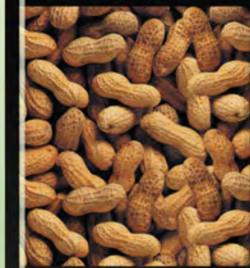
NEOGEN CORPORATION

1982

1989



Proven Past. *Excellent Future.*

ANNUAL REPORT | 2012

1994

2000

2006

2012

CELEBRATING 30 YEARS 1982 2012

Food and Animal Safety Solutions

The mission of

Neogen Corporation

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

Contents

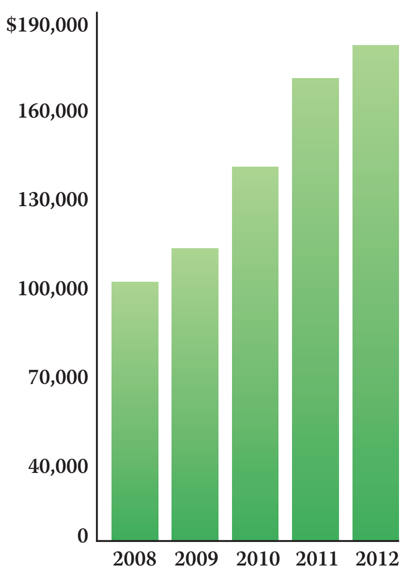
Financial Highlights

Amounts in thousands, except per share

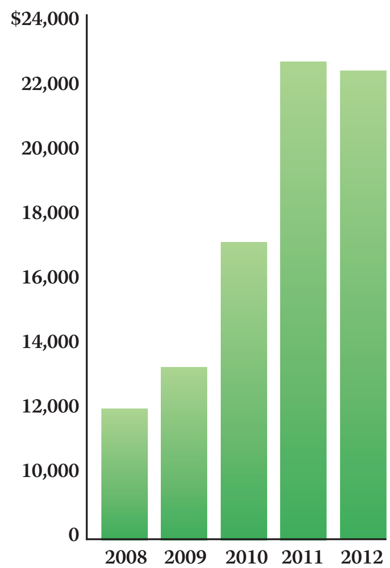
Years Ended May 31,	**2012**	2011	2010	2009	2008
Operations:					
Total Revenues	**$ 184,046**	$ 172,683	$ 140,509	$ 118,721	$ 102,418
Food Safety Sales	**91,104**	85,514	76,454	61,025	57,664
Animal Safety Sales	**92,942**	87,169	64,055	57,696	44,754
Operating Income	**33,739**	35,835	26,879	20,488	18,019
Net Income	**$ 22,513**	$ 22,839	$ 17,521	$ 13,874	$ 12,098
Basic Net Income Per Share*	**$ 0.96**	$ 0.99	$ 0.78	$ 0.63	$ 0.56
Diluted Net Income Per Share*	**$ 0.94**	$ 0.96	$ 0.76	$ 0.61	$ 0.54
Average Diluted Shares Outstanding*	**24,019**	23,791	23,091	22,587	22,499

**Restated for the years 2008–2009*

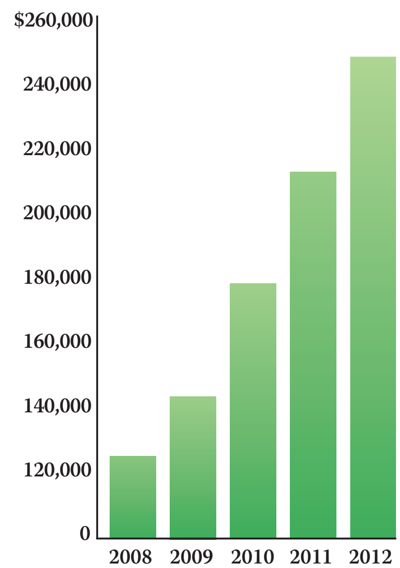
Total Revenues
Dollars in thousands



Net Income
Dollars in thousands



Total Assets
Dollars in thousands



In thousands

May 31,	**2012**	2011	2010	2009	2008
Financial Strength:					
Cash and Marketable Securities	**$ 68,645**	$ 56,083	$ 22,806	$ 13,842	$ 14,270
Working Capital	**123,962**	104,705	68,987	62,520	54,495
Total Assets	**251,600**	219,662	180,233	142,176	126,357
Long-Term Debt	**–**	–	–	–	–
Equity	**219,054**	188,978	153,053	128,679	111,248

Steven Quinlan, James Herbert and Lon Bohannon

A message *from* management

To our stockholders, employees and friends:

We once again broke revenue records in FY 2012, but did not show the double-digit growth at the top and bottom lines as we have most years in the past. Although conditions were difficult, we expanded our infrastructure to capture the significant growth opportunities that lie ahead.

Financials solid

Total revenues for Neogen's FY 2012 were $184 million, a 7% increase from last year's $172.7 million. The fourth quarter was the 81st quarter in the past 86 we have shown increasing revenues as compared to a year earlier—a record spanning more than 21 years. Net income for the year totaled $22.5 million compared to last year's $22.8 million. This equates to $0.94 per share for 2012 as compared to $0.96 a year ago, when an additional 228,000 outstanding shares are taken into consideration.

Positive quarterly growth trend

A bit over a year ago it was becoming obvious to management our existing infrastructure could not sustain our five-year average compound annual sales growth of 19%. While all the indicators were positive for strong growth in our food safety and food security markets, we were bound for a slowdown. The slowdown occurred in early FY 2012 when revenue growth dropped below double digits. By the fourth quarter, we were back on track with revenue growth over 11%.

A number of our flagship product lines showed good growth in that fourth quarter. Our general sanitation monitoring products looked good all year and closed the quarter up 22%. Our Soleris® technology, used to rapidly detect spoilage organisms such as yeast and mold, also increased 20% in the quarter. We also saw strong growth in several product lines used to detect drug residues in milk and meat.

Some of our legacy products also achieved strong growth, such as Ideal veterinary instruments, led by an 18% increase in detectable needle sales. We bought Ideal 27 years ago and it continues as a flagship business for us with double-digit growth for the past several years.

Despite challenging financial conditions in many major European countries, Neogen still derived 42% of its total revenues from international sources. Our operations in Mexico, Brazil and Scotland all reported significant increases. Though our Chinese business can be unpredictable, we also recognized revenue increases there, by expanding our marketing presence in Shanghai and Beijing.

Infrastructure and personnel expanded

We accomplished a lot in the year that should position us well for the years ahead. A new warehouse for our Wisconsin Hacco operations will provide more effective production and distribution of our rodenticide and disinfectant products. We added a new 128,000 square foot building in Lexington, Ky., allowing us to expand our Animal Safety manufacturing operations, and improve efficiency and cost. We acquired a beautiful old 36,000 square foot manor house in Ayr, Scotland to expand our Neogen Europe business that handles food safety product distribution to 40 European countries. Several new pieces of equipment will allow us to automate a number of manufacturing processes and increase capacity.

Our biggest new investments for the fiscal year were in personnel. During the year we hired approximately 100 new employees, a 15% increase that now pushes total employment to more than 750. An investment in additional senior managers will allow us to be more effective and capture additional market share.

Proven past

This year marks Neogen's 30th birthday—a long way from our humble beginning in 1982. We started with the tools of biotechnology, an understanding of the hazards of food safety and how animal health impacts the safety of animal protein foods. Our knowledge of the markets and ability to adapt the rapidly developing new science allowed us to build impressive performance records. Since 2002, we have enjoyed an annual compound growth rate of 16%.

Neogen's mission in food and animal safety is every bit as important as we expected 30 years ago. Even with all the advances, the U.S. Centers for Disease Control and Prevention estimates about 48 million Americans suffer from food related illnesses each year.

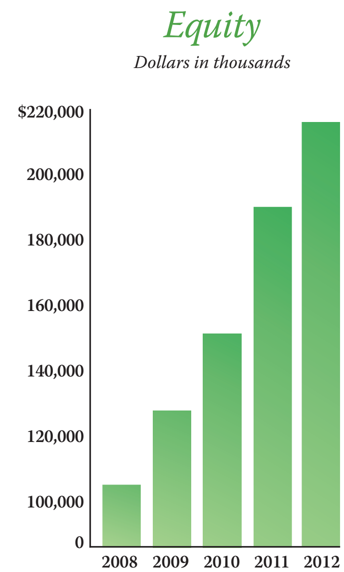
As the need for more and higher quality food escalates, food safety and security becomes ever more critical. The world's population of the year 2000 is estimated to double by 2050. This growing population will demand higher quality food. Many will be eating meat for the first time, as corn cakes and boiled rice will no longer suffice, nor will rice milk as a substitute for cow's milk for babies in China. As the world's population grows, the demographics also will change. By 2050 it is estimated that 70% of people will not produce their own food. We will need to produce more food faster with fewer people and the same land mass—intensifying the need for food and animal safety.

Future is excellent

Over the past 30 years, Neogen has developed products that not only help overcome the obstacles of food safety, but also provide significant aids in expanding the needed quantities of quality food. As examples, picture what now happens with Neogen's help. A rancher can pull a few strands of hair from the tail of a newborn bull calf and send them to us for analysis. We can predict how good of a herd sire the bull will be, or if he might spread any unwanted genetic diseases. We can predict how fast his steer calf prodigy will gain weight, how efficient they will be in feed conversion, and give advice on the carcass quality of those progeny in terms of size of the rib eye steak and its tenderness.

We aid poultry producers with tests for eggs and the cleanliness of their hatchery operations, helping them to produce high quality day-old chicks with improved livability and reduced risk for carrying *Salmonella*. We supply global potato producers with diagnostic tests, allowing them to guard against diseases that can devastate yields and drive down the quality of potato products.

Our diagnostic test kits can tell fishermen when it is safe to harvest shellfish such as oysters and scallops from wild harvest or aquaculture production. We can tell seafood processors whether fish such as tuna are free from deadly toxins that can result from improper storage after harvest.



Guarding the processing plant door

As food products leave farms, ranches and waters, Neogen successfully helps food processors ensure the continuing safety and quality of their products. The manufacturers of snack foods, pet food or animal feeds make certain their corn supplies are not contaminated with harmful mycotoxins with our tests. Our sanitation monitoring products help processors check that facilities were properly cleaned before food processing begins. Major beverage companies around the world use Neogen's products to ensure filler heads in the bottling plants have been adequately cleaned before beverages are filled. Dairy processors use Neogen's products to test raw milk to make certain it does not contain veterinary drug residues. Neogen makes a multitude of products that are used for in-process control at food and beverage facilities to guard against pathogenic organisms such as *Salmonella* or *Listeria*.

Almost to the dinner plate

Neogen's products also check finished goods at the last step before they reach consumers, including testing for spoilage organisms and unintended food allergens that might find their way into the food just before it goes into the bottle, can, or bag. Our tests can even help the grocery delicatessen center make sure the meat slicer was properly cleaned to help prevent the transfer of bacteria each time it is used.

Strengths for expansion

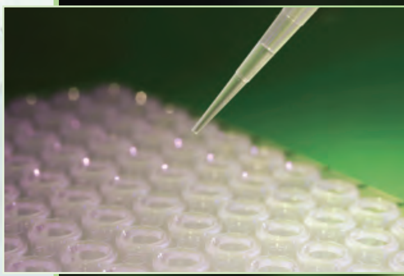
As in the past year, some of our future expansion will come from new products, including 20 product launches scheduled for FY 2013. Some of our growth will continue to come from increased market share. Part of our market growth will come from new regulations such as the Food Safety Modernization Act in the U.S., and similar regulations on dockets in many other parts of the world.

As we move forward, Neogen will continue to expand its revenues and earnings as we take advantage of our excellent future opportunities.

James L. Herbert
Chairman and CEO

Lon M. Bohannon
President and COO

Steven J. Quinlan
Vice President and CFO

Proven Past.
Excellent Future.

The World Health Organization (WHO) has stated its goal of global food security will be reached "when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life." Since its founding in 1982, Neogen has supported the WHO's goal through its mission to be the leading company in the development and marketing of solutions for food and animal safety.

Neogen is a pioneer in the development of rapid test kits to easily and accurately detect threats to the food supply, and has developed and marketed countless cutting-edge animal healthcare products to minimize threats and maximize yields inside the farm gate.

As Neogen enters its 30th year, its mission is more critical than ever. Neogen understands its customers—and consumers—face serious consequences if food products are contaminated with any of a number of well-established or emerging threats, including dangerous bacteria, natural toxins, spoilage microorganisms, veterinary drug residues, unlabeled food allergens, rodent filth, sanitation concerns, broken veterinary needles or other contaminants. Consumers face equally dire consequences if food producers are unable to keep pace with the rapidly growing needs of the world's expanding population, jeopardizing global food security.


Neogen offers a vast array of products and services that enhance the safety, quality and quantity of the global food supply, every step of the way to the consumer.

Veterinary genomics

Neogen's GeneSeek® subsidiary is the leading commercial agricultural genetics laboratory in the United States, employing cutting-edge genomic technology. GeneSeek helps its customers speed genetic improvement efforts, as well as identify economically important diseases inside the farm gate. The May 2012 acquisition of the Igenity® animal genomics business from Merial adds Igenity's extensive bioinformatics system to identify the animal's positive or negative traits to GeneSeek's capabilities. The Igenity program has commercialized the bioinformatics that will play an important role in meeting the world's growing demands related to food security. Igenity results from these tests allow cattle producers to make certain that undesirable genetic traits are not used in ongoing breeding programs.

Veterinary instruments and supplies

Neogen's Ideal® Instruments subsidiary, founded in 1931, maintains a leadership role in the development of precision veterinary drug delivery instruments to help minimize drug residues that might otherwise find their way into meat and milk supplies. The company's line of patented detectable needles greatly lessen the chance that a broken needle would ever arrive on a dinner plate. Neogen also offers its veterinary products through a continuing program of instituting exclusive supply agreements with major farm and ranch retailers.

Mycotoxin tests

Neogen's new Reveal® Q+ fully quantitative lateral flow tests for mycotoxins are quick and easy, with results in just minutes. Just a simple test can help prevent the adverse effects that mold toxins can cause if they contaminate food and animal feed. Neogen's mycotoxin test kits provide screening and tests for aflatoxin, deoxynivalenol (DON), fumonisin, zearalenone, ochratoxin and T-2/HT-2 toxins.

Plant disease tests

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

Disinfectants and cleaning products

Neogen produces and markets a comprehensive line of preventative animal health disinfectant and cleaner products to animal producers and veterinary clinics. Preventing bacterial, viral, or fungal outbreaks before they occur is a critical goal in food and animal safety.

1982

Neogen is founded; James Herbert named CEO

1985

Develops first rapid mycotoxin test

Acquires Ideal Instruments

1987

Acquires rights to equine botulism vaccine

1989

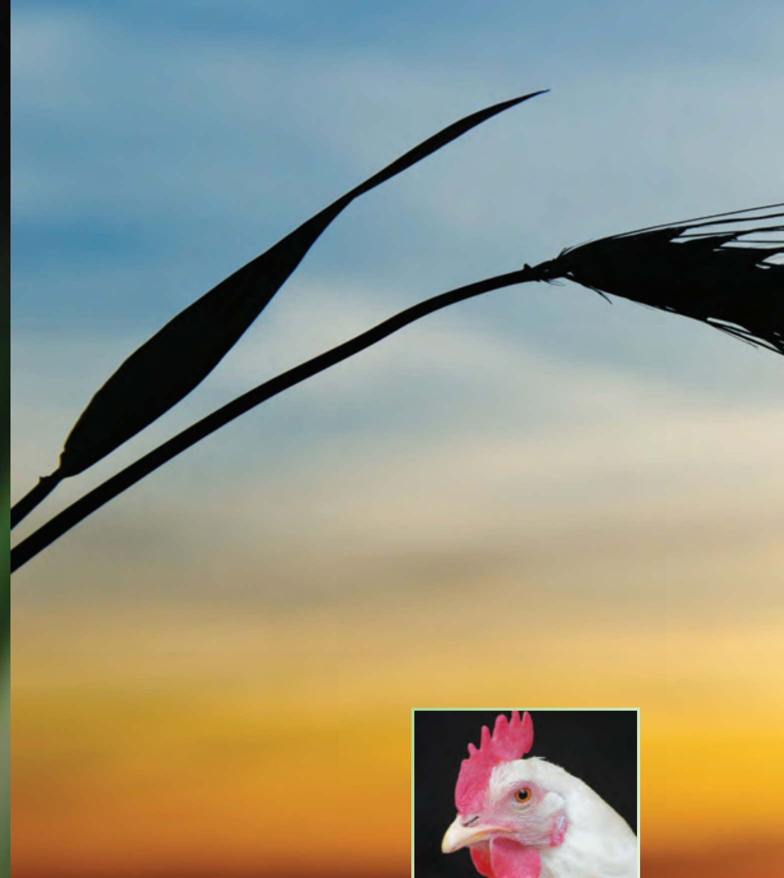
Initial public offering (IPO)

1992

Buys ELISA Technologies in Lexington, Kentucky

1994

Acquires AMPCOR Diagnostics, Inc., and offers rapid pathogen tests for the first time



Rodenticides

Neogen's broad-based food and animal safety mission was built with the understanding that otherwise wholesome food and feed face numerous safety challenges every step of its way to the consumer. Rats and mice remain a serious threat to food and feedstuffs, and also spread disease. Neogen's proven line of rodenticides is used for effective control of rodent infestations and often is a critical component of an overall biosecurity plan.

Milk analysis

Neogen's BetaStar® testing products detect the beta-lactam group of antibiotics (e.g., penicillin, ampicillin, amoxicillin, cefapirin, and ceftiofur) in milk. Neogen's expanding line of products developed for the dairy industry also includes BetaStar Combo—a single test that simultaneously and easily detects beta-lactams and tetracyclines, another common group of antibiotics.

Drug residue diagnostics

Neogen is a leader in the production of diagnostic kits for the detection of drugs in animals. These kits are used extensively to ensure the integrity of animal racing, and to help protect consumers from dangerous drug residues.

Seafood analysis

The June 2011 acquisition of the Vero-Mara seafood testing laboratory based in Oban, Scotland, extended the testing products and services Neogen offers to the seafood industry to include testing services for the shellfish and salmon aquaculture industries. In addition to its laboratory services, Neogen offers the seafood industry rapid, accurate tests for food-borne pathogens, sanitation monitoring, histamine and shellfish toxins.

Foodborne pathogens

Neogen's revolutionary new ANSR™ test system is the quickest and easiest testing method to definitively detect pathogen DNA or RNA in food and environmental samples—providing results in just minutes. Other commercially available molecular amplification tests require up to 3 hours. ANSR and a complementary line of lateral flow tests for foodborne pathogens such as *E. coli*, *Salmonella* and *Listeria*, represent important tools used by food producers and processors to prevent outbreaks of dangerous bacteria.

General microbiology

Neogen's Soleris® system rapidly detects microbial contamination by monitoring the color differences produced by changing pH, gas production, and other reactions generated by microbial growth. The Soleris system offers a wide array of rapid tests, including: total viable count, coliforms, *E. coli*, yeast and molds, and lactic acid bacteria. This test system

1998

With FARRP, develops first rapid food allergen test (peanuts)

2000

Acquires Acumedia dehydrated culture media

Named to Forbes' 200 Best Small Companies in America

2003

Acquires Adgen, Ltd. of the U.K.

Acquires Hacco rodenticides and Hess & Clark disinfectants from ConAgra

2004

Develops AccuPoint Sanitation Monitoring System

Develops first lateral flow test reader

can help ensure the quality of foods that might otherwise be jeopardized by the presence of spoilage microorganisms.

Dehydrated culture media

Neogen's Acumedia® subsidiary has been a premier manufacturer of high quality dehydrated culture media (DCM) since 1978 for industrial, biotech, food safety, and life science applications. Acumedia produces more than 200 different catalog formulations, and more than 200 different customized formulations, many of which play an important role in the control of harmful pathogens.

Food allergen detection

Neogen offers food allergen test kits to detect almond, egg, gluten, hazelnut, casein, total milk, mustard, peanut, sesame, shellfish, crustacea, soy, and walnut residues. Neogen's new Reveal 3-D food allergen tests are simple, single-step test kits that require only minimal training and equipment to help stop the accidental contamination of non-allergenic foods with unlabeled allergenic residues.

Sanitation monitoring

Neogen's AccuPoint® 2 Sanitation Monitoring System quickly and easily measures the ATP collected from food contact surfaces or liquids as an indication of the cleanliness of the surface or purity of the liquid. This simple test system can help prevent the contamination of food products before they take the final steps to the consumer.

Veterinary performance and companion animal products

Neogen's animal safety efforts extend to both sides of the farm gate with safety solutions also for performance and companion animals. The company manufactures and markets pharmaceuticals, vaccines and diagnostic products. The company's ImmunoVet™ equine health line includes EqStim®, a proven, safe immunostimulant, which boosts the immune response of horses to help combat respiratory ailments. Neogen's BotVax® B vaccine has protected thousands of horses against *Clostridium botulinum* type B.

Additional rapid test kits

Neogen also offers a wide variety of other food safety and quality testing solutions, including those for coliforms in water, pesticides, GMOs, ruminant by-products, sulfites and meat speciation.

Neogen offers a vast array of products and services that enhance the safety, quality and quantity of the global food supply, every step of the way to the consumer.

2005

Acquires dairy antibiotic testing business from UCB

2006

Acquires Soleris rapid microbial test system

Named to NASDAQ's Global Select Market

2007

Acquires Kane veterinary products

2008

Acquires line of disinfectants and cleaners from DuPont

Neogen exceeds $100 million in annual revenue for the first time

2009

Named one of Fortune's "40 best stocks to retire on"

2010

Acquires GeneSeek geomics laboratory

2012

Acquires Igenity

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 but not limited to those related to receivable allowances, inventories and intangible assets. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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

Revenue Recognition

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

Accounts Receivable Allowance

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

Inventory

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

Goodwill and Other Intangible Assets

Management assesses goodwill and other non-amortizable intangible assets for possible impairment at least annually. Assessments indicated no impairment of these assets existed in each of 2012, 2011 and 2010. In the event of changes in circumstances that indicate the carrying value of these assets may not be recoverable, management will make an assessment at that time. Factors that could cause an impairment review to take place would include:

- Significant underperformance 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 discounted future cash flows of the reporting unit. If the carrying amounts of these assets are greater than the amount of discounted future cash flows, such assets are reduced to their estimated fair value.

Equity Compensation Plans

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

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

Results of Operations

Executive Overview

Revenue of $184,046,000 in fiscal 2012 represented a 7% increase compared to revenue of $172,683,000 in fiscal 2011. Net income for 2012 was $22,513,000, or $0.94 per fully diluted share, compared to $22,839,000, or $0.96 per fully diluted share, in fiscal 2011. These results were achieved in a challenging business environment, both domestically and internationally. The Company's percentage of sales from customers outside the United States was 42% of total revenues in each of 2011 and 2012. Cash flow from operations for 2012 was $22,277,000, primarily a result of the profitability of the Company.

Consolidated gross margins decreased from 50.8% in 2011 to 50.2% in 2012, due primarily to shifts in product mix within the Company's Animal Safety segment. Operating expenses as a percentage of revenues increased from 30.1% in 2011 to 31.9% in 2012, as the Company made a significant investment in personnel, primarily in sales and marketing related functions, and other infrastructure initiatives, which it believes should lead to increased market penetration and improved operating performance in future periods.

The acquisition of the VeroMara seafood testing business in June 2011 and the acquisition of the Igenity genetics testing business from Merial in May 2012 helped to increase the Company's product offerings and capabilities. The GeneSeek acquisition, made late in the 2010 fiscal year, continued to make a positive impact by adding revenues of over $18.5 million in 2012 from the $18.0 million in 2011.

On the international front, Neogen Europe recorded an 11% revenue increase in 2012, following a 27% gain in 2011. Sales were particularly strong in the UK, Germany and France, where the Company has a direct sales presence. Neogen Latinoamérica and Neogen do Brasil continued to build out their sales infrastructure, and recorded revenue gains of 19.6% and 102.0%, respectively, in 2012 over 2011, albeit from a relatively small base.

Revenues

	Twelve Months Ended				
(Dollars in thousands)	**May 31, 2012**	**Increase/ (Decrease)**	May 31, 2011	Increase	May 31, 2010
Food Safety:					
Natural Toxins, Allergens and Drug Residues	**$ 45,671**	**6%**	$ 43,108	10%	$ 39,338
Bacterial and General Sanitation	**24,677**	**11%**	22,268	14%	19,545
Dehydrated Culture Media and Other	**20,756**	**3%**	20,138	15%	17,571
	91,104	**7%**	85,514	12%	76,454
Animal Safety:					
Life Sciences and Other	**8,190**	**4%**	7,902	11%	7,126
Vaccine	**2,772**	**16%**	2,392	3%	2,329
Rodenticides and Disinfectants	**26,491**	**(6%)**	28,226	17%	24,160
Veterinary Instruments and Other	**36,997**	**21%**	30,629	7%	28,568
DNA Testing	**18,492**	**3%**	18,020	N/A	1,872
	92,942	**7%**	87,169	36%	64,055
Total Revenues	**$ 184,046**	**7%**	$ 172,683	23%	$ 140,509

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

Year Ended May 31, 2012 Compared to Year Ended May 31, 2011

The Company's Food Safety segment revenues grew by 7% overall in 2012, with increases in each major product category compared to 2011. Organic revenue growth was 6% in the segment, compared to the prior year. The increase in natural toxins, allergens and drug residues of 6% in 2012 included strong contributions in drug residues revenues, primarily tests to determine the presence of antibiotics in dairy animals, which increased 11% compared to 2011. Natural toxin revenue increased 1% in 2012 compared to 2011, as increased aflatoxin test kit revenues, caused by abnormally warm and dry weather conditions in the 2011 growing season, offset year-over-year declines in DON revenues resulting from an outbreak in the 2010 growing season which did not recur in fiscal year 2012. Allergen product revenues increased by 6% compared to 2011, as increased worldwide concern over the presence of allergens in finished food products positively affected sales.

Bacterial and general sanitation revenues increased in 2012 by 11% compared with 2011, marking continued double digit increases. While sales of diagnostic test kits to detect pathogens such as *E. coli*, *Listeria* and *Salmonella* remained relatively flat with a 1% increase in product revenues, Soleris microbial detection instruments and vials, designed to detect the presence of yeasts, molds and other contaminants in foods, increased by 16% compared to 2011. AccuPoint readers and device sales, used to detect the cleanliness of contact surfaces in food preparation environments, achieved an 8% increase in product revenues over 2011. Continued market acceptance of these products is strong.

Dehydrated culture media and other revenues increased by 3% in 2012, as declines in domestic traditional dehydrated culture media were offset with increased international revenues, certain genomics revenues to a number of European customers and higher shipping revenues.

Animal Safety revenues increased by 7% overall and included minimal revenues from the Igenity acquisition, which closed in May 2012. On an organic basis, Animal Safety revenues increased 6% in comparison with fiscal year 2011. Life sciences and other revenues increased 4% in 2012 with broad based increases from existing customers and new key accounts with increases in OEM reagent products leading the increases.

Vaccine revenues increased by 16% compared with 2011, as effective marketing programs to animal practitioners resulted in continued utilization of the Company's equine vaccine products.

Rodenticide and disinfectant revenues decreased by 6% in comparison with 2011 following a year in which revenue increased by 17% due to a change in the law regarding product packaging for rodenticides, which went into effect on June 4, 2011. This law resulted in strong sales of rodenticides in the second half of 2011, which the Company believes, pulled sales which might otherwise have occurred in 2012, into 2011. The Company's line of cleaners and disinfectants continued to be well accepted in the market, and increased 10% in 2012 compared to 2011. The product line continues to be a strong synergistic fit as it is marketed with the Company's full line of biosecurity solutions.

Veterinary instruments and other products increased 21% for the year due to increased market penetration by several large distributors, both domestic and international, in 2012. Animal care products led the revenue increases at 27%, disposable gloves and apparel increased by 25%, and Ideal Instruments product offerings, such as needles and syringe products, increased by 10% for the year, with broad based increases in several other product groups.

DNA testing revenues, resulting from the purchase of GeneSeek, Inc. in April 2010, increased 3% in 2012, compared to 2011. The acquisition of the Igenity product in May of 2012 did not contribute significantly in the year, but is expected to contribute in the future.

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

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

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

Dehydrated culture media and other revenues increased by 15% in 2011, with strong sales to traditional lab accounts and increased international revenues.

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

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

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

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

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

Cost of Goods Sold

(Dollars in thousands)	**2012**	**Increase**	2011	Increase	2010
Cost of Goods Sold	**$ 91,621**	**8%**	$ 84,891	26%	$ 67,534

Cost of goods sold increased 8% in 2012 and 26% in 2011 in comparison with the prior years. This compares against revenue increases of 7% and 23% in 2012 and in 2011, respectively. Expressed as a percentage of revenues, cost of goods sold was 50%, 49% and 48% in 2012, 2011, and 2010, respectively. The increase in cost of goods sold, expressed as a percentage for 2011 compared to 2010, was primarily the result of the GeneSeek product line, which has lower gross margins than the other product lines of the Company. The increase in cost of goods sold, expressed as a percentage of sales, in 2012 compared to 2011 was due to product mix within the Animal Safety segment.

Food Safety gross margins were 65%, 64% and 64% in 2012, 2011 and 2010, respectively. Changes in margins between periods relate primarily to changes in product mix. Margins also benefitted in 2012 and in 2011 from the effects of efficiencies resulting from investments in manufacturing facilities and equipment.

Animal Safety gross margins were 36%, 37% and 38% in 2012, 2011 and 2010, respectively. The change in the margins from 2011 to 2012 was primarily due to product mix, as the decline in rodenticide revenues, which generally have a higher gross margin, were offset by increases in cleaners and disinfectants, which are a lower margin product. The decline in gross margin percentage for 2011 compared to 2010 was primarily the result of the GeneSeek product line, which has lower gross margins than the other product offerings in the segment.

Operating Expenses

(Dollars in thousands)	**2012**	**Increase/ (Decrease)**	2011	Increase	2010
Sales and Marketing	**$ 35,026**	**17%**	$ 30,020	14%	$ 26,350
General and Administrative	**17,024**	**13%**	15,112	12%	13,488
Research and Development	**6,636**	**(3%)**	6,825	9%	6,258

Sales and marketing expenses increased by 17% in 2012 and by 14% in 2011, each compared with the prior year. As a percentage of sales, sales and marketing expense increased to 19% in 2012 from 17% in 2011 and was 19% in 2010. The 2012 increase was due primarily to a significant investment in sales and marketing personnel which the Company undertook beginning in 2011. This investment was designed to improve the Company's sales and marketing capabilities, increase market penetration and allow for continued expansion, both domestically and internationally.

General and administrative expenses increased 13% in 2012 compared to 2011 and by 12% in 2011 compared to 2010. The increase in 2012 resulted primarily from increased salaries due to increases in personnel necessary to support the growth of the Company, increased amortization of customer based intangibles related to business acquired and legal fees related to the protection of the Company's intellectual property. In 2011, the increase was primarily the result of administrative expenses absorbed from the acquisition of GeneSeek in April 2010 and increases in personnel related expenses.

Research and development expenses decreased 3% in 2012 compared to 2011 and increased by 9% in 2011 in comparison with 2010. As a percentage of revenue these expenses were 4% in both 2012 and 2011 and 5% in 2010. Although some fluctuation in research and development expenses will occur across periods, management expects research and development expenses to approximate 3–5% of revenues. Certain Company products require relatively less investment in research and development expenses. For those products requiring support by research and development, the Company estimates that it spends 8%–10% of revenues in its research and development efforts.

Operating Income

(Dollars in thousands)	**2012**	**Increase/ (Decrease)**	2011	Increase	2010
Operating Income	**$ 33,739**	**(6%)**	$ 35,835	33%	$ 26,879

During fiscal year 2012, the Company's operating income decreased by 6% compared to 2011 and increased in 2011 by 33% when compared to 2010. As a percentage of revenues it was 18%, 21% and 19% in 2012, 2011 and 2010 respectively. The decline in 2012 was due primarily to the increases in selling, general and administrative expenses, which more than offset the higher gross margins resulting from increased revenue. In 2011, the significant increase in sales and gross margins was greater than the increase in operating expenses. In general, the Company has been successful in improving its operating income from revenue and gross margin growth from existing products and acquisitions and through control of manufacturing, distribution and administrative costs.

Other Income (Expense)

(Dollars in thousands)	**2012**	**Increase**	2011	Increase	2010
Other Income (Expense)	**$ 224**	**N/A**	$ (596)	N/A	$ 442

Other income (expense) consists principally of royalty and license income, interest income from investing the Company's excess cash balances, the impact of foreign currency transactions, and other miscellaneous items. Interest income is a result of the Company's increase in cash and cash equivalents and marketable securities in the periods, offset by decreased interest rates. By investing only in certificates of deposit and high quality rated commercial paper maturing in one year or less, the Company follows a very conservative investment philosophy which, in the current market, results in returns of less than 1%.

In 2012, other income primarily consisted of royalty and licensing revenues totaling $329,000 in 2012, investment earnings of $107,000, and $154,000 for the reversal of the secondary payment obligation relating to the GeneSeek acquisition, due to lower than projected profitability for the year, offset by losses on foreign currency transactions totaling $531,000.

In 2011 other income included a charge of $787,000 related to an increase in the secondary payment obligation for the GeneSeek acquisition due to the achievement of specified profitability levels, royalty and license income of $317,000, investment earnings of $95,000, and gains from foreign currency transactions of $11,000.

In 2010, other income consisted of royalty and license income of $181,000, investment earnings of $81,000, and gains from foreign currency transactions of $80,000.

Federal and State Income Taxes

(Dollars in thousands)	**2012**	**Increase/ (Decrease)**	2011	Increase	2010
Federal and State Income Taxes	**$ 11,450**	**(8%)**	$ 12,400	27%	$ 9,800

The tax provision was 34% of pretax income in 2012, 35% in 2011 and 36% in 2010. Fluctuations in the tax rate from the 35% corporate rate is due to changes in the mix of the localities where income is earned in any year, stock option plan deductions as a result of exercise of shares and tax credits. At the end of 2011, the Company was under audit by the Internal Revenue Service for its 2009 fiscal year; in 2012 this audit was expanded to include the 2010 fiscal year as well. The audit concluded in late 2012 with a small favorable adjustment; thus, amounts totaling $550,000 which had been reserved as uncertain tax positions were reversed, resulting in an effective tax rate of 33.7% for 2012. Absent this adjustment, the Company's 2012 tax rate would have been 35.3%, compared to 35.2% in 2011 and 35.9% in 2010.

Net Income and Net Income Per Share

(Dollars in thousands, except per share data)	**2012**	**Increase/ (Decrease)**	2011	Increase	2010
Net Income	**$ 22,513**	**(1%)**	$ 22,839	30%	$ 17,521
Net Income Per Share – Basic	**$ 0.96**		$ 0.99		$ 0.78
Net Income Per Share – Diluted	**$ 0.94**		$ 0.96		$ 0.76

Net income decreased by 1% in 2012 and increased by 30% in 2011 in comparison with the prior years. As a percentage of revenue, net income was 12% in 2012, 13% in 2011 and 12% in 2010. All of the above factors contributed to the changes in net income for the applicable years.

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, 2012, the Company had $49,045,000 in cash and cash equivalents, $19,600,000 in marketable securities, working capital of $123,962,000 and total equity of $219,054,000. The Company has a financing agreement with a bank providing for an unsecured revolving line of credit of $12,000,000 which expires on August 31, 2013. There were no advances against this line of credit during 2012, 2011 and 2010 and no balance outstanding at May 31, 2012 and 2011. Cash increased $13,200,000 during 2012, marketable securities decreased by $639,000, cash provided from operations was $22,277,000 and proceeds from stock option and employee stock purchase plan exercises provided an additional $7,626,000 of cash. Additions to property and equipment and other non-current assets used cash of $12,413,000.

Accounts receivable increased $7,204,000 or 25%, compared to May 31, 2011. This resulted primarily from increased sales and the timing of those sales. Sales in the last two months of 2012 were $5,600,000 higher than the last two months of 2011. These accounts are being actively managed and no losses thereon in excess of amounts reserved are currently expected. Days sales outstanding, a measurement of the time it takes to collect receivables, increased from 57 days at May 31, 2011 to 60 days at May 31, 2012, primarily due to extended terms granted to some of the large international distributors.

Inventory levels increased by 9% or $3,093,000 in 2012 as compared to 2011. Increases were due to higher sales volume and inventory build in Lexington to accommodate the move from a rented production facility to the newly purchased warehouse and production facility and increased chip inventories at GeneSeek, the result of large bulk purchases to gain larger discounts. During 2012, the Company continued programs aimed at improving inventory turnover and expects to maintain those programs into the future.

The Company completed construction of a warehouse in Randolph, Wisconsin in early 2012. It also purchased a 128,000 square foot warehouse facility in Lexington, Kentucky in August 2011 for $4.9 million. These facilities are generally believed to be adequate to support their existing operations in the near term.

Neogen has been profitable from operations for its last 77 quarters and has generated positive cash flow from operations during the period. However, the Company's current funds may not be sufficient to meet the Company's cash requirements to commercialize products currently under development or its plans to acquire additional businesses, technology and products that fit within the Company's strategic plan. Accordingly, the Company may be required to or may choose to issue equity securities or enter into other financing arrangements for a portion of the Company's future capital needs.

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

Contractual Obligations

The Company has the following contractual obligations due by period:

(In thousands)	Total	Less than one year	1–3 years	3–5 years	More than 5 years
Long-Term Debt	$ –	$ –	$ –	$ –	$ –
Operating Leases	87	87	–	–	–
Unconditional Purchase Obligations	27,238	26,388	850	–	–
	$ 27,325	$ 26,475	$ 850	$ –	$ –

New Accounting Pronouncements

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

Neogen Corporation and Subsidiaries: Consolidated Balance Sheets

Assets (In thousands)	Year ended May 31, 2012	2011
Current Assets		
Cash and cash equivalents	**$ 49,045**	$ 35,844
Marketable securities	**19,600**	20,239
Accounts receivable, less allowance of $800 and $800 at May 31, 2012 and 2011	**35,652**	28,634
Inventories	**34,992**	31,994
Deferred income taxes	**1,328**	1,044
Prepaid expenses and other current assets	**3,324**	4,747
Total Current Assets	**143,941**	122,502
Property and Equipment		
Land and improvements	**1,439**	1,195
Buildings and improvements	**20,657**	14,417
Machinery and equipment	**27,508**	22,973
Furniture and fixtures	**1,410**	1,164
Construction in progress	**590**	1,217
	51,604	40,966
Less accumulated depreciation	**21,671**	18,626
Net Property and Equipment	**29,933**	22,340
Other Assets		
Goodwill	**53,052**	51,584
Other non-amortizable intangible assets	**5,270**	5,166
Amortizable customer-based intangibles, net of accumulated amortization of $7,111 and $5,431 at May 31, 2012 and 2011	**10,826**	12,006
Other non-current assets, net of accumulated amortization of $3,578 and $2,789 at May 31, 2012 and 2011	**8,578**	6,064
Total Other Assets	**77,726**	74,820
	$ 251,600	$ 219,662

Liabilities and Equity (In thousands, except share and per share)	2012	2011
Current Liabilities		
Accounts payable	**$ 10,760**	$ 8,516
Accruals		
Compensation and benefits	**2,756**	2,715
Federal income taxes	**809**	–
Other	**5,654**	6,566
Total Current Liabilities	**19,979**	17,797
Deferred Income Taxes	**9,974**	8,347
Other Long-Term Liabilities	**2,593**	4,540
Total Liabilities	**32,546**	30,684
Commitments and contingencies (note 7)		
Equity		
Preferred stock, $1.00 par value - shares authorized 100,000; none issued and outstanding	**–**	–
Common stock, $0.16 par value - shares authorized 60,000,000; 23,619,761 and 23,290,604 shares issued and outstanding at May 31, 2012 and 2011	**3,779**	3,727
Additional paid-in capital	**89,592**	81,248
Accumulated other comprehensive loss	**(1,227)**	(394)
Retained earnings	**126,695**	104,064
Total Neogen Corporation and Subsidiaries Stockholders' Equity	**218,839**	188,645
Non-controlling interest	**215**	333
Total Equity	**219,054**	188,978
	$ 251,600	$ 219,662

See accompanying notes to consolidated financial statements.

Neogen Corporation and Subsidiaries: Consolidated Statements of Income

(In thousands, except per share)	Year ended May 31, 2012	2011	2010
Net Sales	**$ 184,046**	$ 172,683	$ 140,509
Cost of Goods Sold	**91,621**	84,891	67,534
Gross Margin	**92,425**	87,792	72,975
Operating Expenses			
Sales and marketing	**35,026**	30,020	26,350
General and administrative	**17,024**	15,112	13,488
Research and development	**6,636**	6,825	6,258
	58,686	51,957	46,096
Operating Income	**33,739**	35,835	26,879
Other Income (Expense)			
Interest income	**107**	95	81
Royalty income	**329**	317	181
Change in purchase consideration	**154**	(787)	–
Other, net	**(366)**	(221)	180
	224	(596)	442
Income Before Income Taxes	**33,963**	35,239	27,321
Provision for Income Taxes	**11,450**	12,400	9,800
Net Income	**$ 22,513**	$ 22,839	$ 17,521
Net Income Per Share			
Basic	**$ 0.96**	$ 0.99	$ 0.78
Diluted	**$ 0.94**	$ 0.96	$ 0.76

See accompanying notes to consolidated financial statements.

Neogen Corporation and Subsidiaries: Consolidated Statements of Equity

(In thousands, except shares)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
Balance, June 1, 2009	22,105,329	$ 3,537	$ 61,535	$ (430)	$ 63,611	426	$ 128,679
Exercise of options and warrants, including share based compensation and $709 income tax benefit	500,242	80	7,687				7,767
Issuance of shares under Employee Stock Purchase Plan	19,828	4	328				332
Comprehensive income:							
Net income (loss) for 2010					17,559	(38)	17,521
Foreign currency translation adjustments				(1,246)			(1,246)
Total comprehensive income							16,275
Balance, May 31, 2010	22,625,399	3,621	69,550	(1,676)	81,170	388	153,053
Exercise of options and warrants, including share based compensation and $2,992 income tax benefit	646,953	103	11,283				11,386
Issuance of shares under Employee Stock Purchase Plan	18,252	3	415				418
Comprehensive income:							
Net income (loss) for 2011					22,894	(55)	22,839
Foreign currency translation adjustments				1,282			1,282
Total comprehensive income							24,121
Balance, May 31, 2011	23,290,604	3,727	81,248	(394)	104,064	333	188,978
Exercise of options and warrants, including share based compensation and $1,829 income tax benefit	315,013	50	7,837				7,887
Issuance of shares under Employee Stock Purchase Plan	14,144	2	507				509
Comprehensive income:							
Net income (loss) for 2012					22,631	(118)	22,513
Foreign currency translation adjustments				(833)			(833)
Total comprehensive income							21,680
Balance, May 31, 2012	23,619,761	$ 3,779	$ 89,592	$ (1,227)	$ 126,695	215	$ 219,054

See accompanying notes to consolidated financial statements.

Neogen Corporation and Subsidiaries: Consolidated Statements of Cash Flows

(In thousands)	Year ended May 31, 2012	2011	2010
Net income	**$ 22,513**	$ 22,839	$ 17,521
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	**6,173**	5,329	4,435
Deferred income taxes	**1,340**	2,253	(200)
Share based compensation	**2,455**	2,237	2,237
Excess income tax benefit from the exercise of stock options	**(1,829)**	(2,992)	(709)
Changes in operating assets and liabilities, net of business acquisitions:			
Accounts receivable	**(7,204)**	(903)	(2,240)
Inventories	**(3,093)**	(434)	64
Prepaid expenses and other current assets	**1,497**	499	390
Accounts payable	**2,330**	1,196	3,008
Accruals and other changes	**(1,905)**	(1,181)	3,482
Net cash from operating activities	**22,277**	28,843	27,988
Cash flows used in investing activities			
Purchases of property, equipment and other noncurrent assets	**(12,413)**	(7,796)	(5,431)
Proceeds from the sale of marketable securities	**72,270**	40,076	–
Purchases of marketable securities	**(71,631)**	(60,315)	–
Business acquisitions, net of cash acquired	**(4,011)**	–	(20,302)
Net cash used in investing activities	**(15,785)**	(28,035)	(25,733)
Cash flows from financing activities			
Exercise of options	**5,797**	10,259	5,900
Repurchase of common stock			
Excess income tax benefit from the exercise of stock options	**1,829**	2,992	709
Increase (decrease) in other long-term liabilities	**(750)**	(1,217)	100
Net cash from financing activities	**6,876**	12,034	6,709
Effect of exchange rate on cash	**(167)**	196	–
Net increase (decrease) in cash and cash equivalents	**13,201**	13,038	8,964
Cash and cash equivalents at beginning of year	**35,844**	22,806	13,842
Cash and cash equivalents at end of year	**$ 49,045**	$ 35,844	$ 22,806
Supplement cash flow information			
Income taxes paid, net of refunds	**$ 6,445**	$ 9,863	$ 6,283

See accompanying notes to consolidated financial statements.

Neogen Corporation and Subsidiaries: Notes to Consolidated Financial Statements

1. Summary of Accounting Policies

Nature of Operations

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

Basis of Consolidation

The consolidated financial statements include the accounts of Neogen Corporation and its subsidiaries (collectively, the Company), all of which are wholly owned, with the exception of Neogen Latinoamérica S.A.P.I. DE C.V., which is 60% owned and Neogen do Brasil, which is 94% owned. Noncontrolling interest represents the noncontrolling owner's proportionate share in the equity of the Company's majority owned subsidiaries. The noncontrolling owner's proportionate share in the income or losses of the Company's majority owned subsidiaries is included in other income, net in the statements of income.

All intercompany accounts and transactions have been eliminated in consolidation.

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

Use of Estimates

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

Comprehensive Income

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

Accounts Receivable and Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. Management attempts to minimize credit risk by reviewing customers' credit history before extending credit and by monitoring credit exposure on a regular basis. An allowance for possible losses on accounts receivable is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. Collateral or other security is generally not required for accounts receivable. Once a receivable balance has been determined to be uncollectible, that amount is written off against the reserve for uncollectible accounts. One customer accounted for more than 10% of accounts receivable at May 31, 2012. As of May 31, 2012 the balance due from that customer was $3,785,000, approximately 10% of the total of all outstanding accounts receivable.

The Company maintained a valuation allowance for accounts receivable of $800,000 at May 31, 2012 and $800,000 at May 31, 2011. Expenses related to uncollectable accounts and allowance adjustments were $38,000, $430,000 and $242,000 in 2012, 2011 and 2010, respectively. Write-offs were $38,000, $230,000 and $242,000 in 2012, 2011 and 2010, respectively.

Fair Value of Financial Instruments

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

Cash and Cash Equivalents

Cash and cash equivalents consist of bank demand accounts, savings deposits, certificates of deposit and commercial paper with original maturities of 90 days or less. Cash equivalents were $49,045,000 and $35,844,000 at May 31, 2012 and 2011, respectively. The carrying value of these assets approximates fair value.

Fair Value Measurements

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

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

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

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

Marketable Securities

The Company has marketable securities held by banks or broker-dealers consisting of short-term domestic certificates of deposit and commercial paper rated at least A-2/P-2 with maturities between 91 days and one year. Outstanding marketable securities at May 31, 2012 were $19,600,000; there were $20,239,000 marketable securities outstanding at May 31, 2011. These securities are classified as held for sale. The primary objective of the Company's short-term investment activity is to preserve capital for the purpose of funding operations; short-term investments are not entered into for trading or speculative purposes. These are recorded at fair values based on inputs, other than quoted prices in active markets, that are observable either directly or indirectly (Level 2).

Inventories

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

(In thousands)	**2012**	2011
Raw materials	**$ 13,997**	$ 12,125
Work-in-process	**2,110**	2,192
Purchased finished goods	**18,885**	17,677
	$ 34,992	$ 31,994

No less frequently than quarterly, inventory is analyzed for slow moving and obsolete inventory and the valuation allowance is adjusted as required. Write-offs against the allowance are not separately identified. The valuation allowance for inventory was $1,100,000 and $1,150,000 at May 31, 2012 and 2011, respectively.

Property and Equipment

Property and equipment is stated at cost. Expenditures for major improvements are capitalized while repairs and maintenance are charged to expense. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets, which are generally seven to 39 years for buildings and improvements and three to ten years for furniture, fixtures, machinery and equipment. Depreciation expense was $3,646,000, $3,185,000 and $2,734,000 in 2012, 2011 and 2010, respectively.

Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase price over fair value of tangible net assets of acquired businesses after amounts are allocated to other identifiable intangible assets. In general, goodwill is amortizable for tax purposes over 15 years. Other intangible assets include customer relationships, trademarks, licenses, trade names, covenants not-to-compete and patents. Amortizable intangible assets are amortized on either an accelerated or a straight-line basis over five to 20 years. The Company reviews the carrying amounts of goodwill and other non-amortizable intangible assets annually, or when indications of impairment exist, to determine if such assets may be impaired. If the carrying amounts of these assets are deemed to be less than fair value based upon a discounted cash flow analysis and comparison to comparable EBITDA multiples of peer companies, such assets are reduced to their estimated fair value and a charge is made to operations. The remaining weighted-average amortization period for customer based intangibles and other intangibles is 13 and 7 years, respectively, at May 31, 2012 and May 31, 2011.

Long-lived Assets

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

Reclassifications

Certain amounts in the 2011 and 2010 financial statements have been reclassified to conform to the 2012 presentation.

Stock Options

At May 31, 2012, the Company had stock option plans which are described more fully in Note 5.

The weighted-average fair value per share of stock options granted during 2012, 2011 and 2010, estimated on the date of grant using the Black-Scholes option pricing model, was $10.41, $8.66 and $6.35 respectively. The fair value of stock options granted was estimated using the following weighted-average assumptions:

Year ended May 31,	**2012**	2011	2010
Risk-free interest rate	**1.2%**	1.7%	2.0%
Expected dividend yield	**0%**	0%	0%
Expected stock price volatility	**36.4%**	35.8%	37.8%
Expected option life	**4.0 years**	4.0 years	4.0 years

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

Revenue Recognition

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

Shipping and Handling Costs

Shipping and handling costs that are charged to and reimbursed by the customer are recognized as sales, while the related expenses incurred by the Company are recorded in sales and marketing expense; these expenses totaled $5,940,000, $5,211,000 and $4,494,000 in 2012, 2011 and 2010, respectively.

Income Taxes

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

The Company's foreign subsidiaries are comprised of Neogen Europe (wholly owned subsidiary), Neogen Latinoamérica (60% owned by Neogen) and Neogen do Brasil (94% owned by Neogen). Based on historical experience as well as the Company's future plans, earnings from these subsidiaries are expected to be re-invested indefinitely for future expansion and working capital needs. Furthermore, the Company's domestic operations have historically produced sufficient operating cash flow, to mitigate the need to remit foreign earnings. On an annual basis, the Company evaluates the current business environment and whether any new events or other external changes might require a reevaluation of the decision to indefinitely re-invest foreign earnings. At May 31, 2012 unremitted earnings of the foreign subsidiaries were $9,609,000.

Research and Development Costs

Research and Development costs are expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred and totaled $993,000, $677,000 and $633,000 in 2012, 2011 and 2010, respectively.

Net Income Per Share

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

Year ended May 31 (In thousands, except per share),	2012	2011	2010
Numerator for basic and diluted net income per share			
Net Income	**$ 22,513**	$ 22,839	$ 17,521
Denominator – Denominator for basic net income per share weighted average shares	**23,466**	23,007	22,425
Effect of dilutive stock options and warrants	**553**	784	666
Denominator for diluted net income per share	**24,019**	23,791	23,091
Net income per share:			
Basic	**$ 0.96**	$ 0.99	$ 0.78
Diluted	**$ 0.94**	$ 0.96	$ 0.76

In 2012, 52,300 and in 2011, 12,000 options were excluded from the computations of net income per share as the option exercise prices exceeded the average market price of the common shares. No options were excluded in 2010.

New Accounting Pronouncements

In June 2011, the FASB issued an accounting standards update titled Presentation of Comprehensive Income. This update eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. An entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate consecutive statements. Each component of net income and each component of other comprehensive income, together with totals for comprehensive income and its two parts, net income and other comprehensive income, must be displayed under either alternative. The Company will adopt the update in the first quarter of its fiscal 2013; the adoption will affect the presentation of its financial statements, but will not have an impact on the results of the Company's operations.

In September 2011, the FASB issued an accounting standards update titled Intangibles — Goodwill and Other: Testing Goodwill for Impairment. This update gives the option of performing a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount and, in some cases, skip the two-step impairment test. The Company does not believe that the adoption of this update will have a material effect on the Company's consolidated financial statements.

2. Goodwill and Other Intangible Assets

The Company follows the provisions of ASC 350 – Intangibles Goodwill and Other (ASC 350). ASC 350 prohibits the amortization of goodwill and intangible assets with indefinite lives and requires that the Company evaluate these intangibles for impairment on an annual basis. Management has completed the required annual impairment tests of goodwill and intangible assets with indefinite lives as prescribed by ASC 350 as of the first day of the fourth quarter of 2012 and determined that recorded amounts were not impaired and that no write-down was necessary.

The following table summarizes goodwill by business segment:

(In thousands)	Food Safety	Animal Safety	Total
Balance, May 31, 2010	$ 16,552	$ 36,347	$ 52,899
Goodwill acquired	144	(1,459)	(1,315)
Balance, May 31, 2011	16,696	34,888	51,584
Goodwill acquired	–	1,468	1,468
Balance, May 31, 2012	**$ 16,696**	**$ 36,356**	**$ 53,052**

At May 31, 2012, non-amortizable intangible assets included licenses of $555,000, trademarks of $3,491,000 and a customer relationship intangible of $1,224,000. At May 31, 2011, non-amortizable intangible assets consisted of licenses of $555,000, trademarks of $3,387,000 and a customer relationship intangible of $1,224,000.

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

(In thousands)	Gross Carrying Amount	Less Accumulated Amortization	Net Carrying Amount
Licenses	$ 3,814	$ 1,066	$ 2,748
Covenants not to compete	282	127	155
Patents	4,497	1,951	2,546
Customer relationship intangibles	17,937	7,111	10,826
Balance, May 31, 2012	$ 26,530	$ 10,255	$ 16,275
Licenses	$ 2,606	$ 768	$ 1,838
Covenants not to compete	282	73	209
Patents	5,099	1,948	3,151
Customer relationship intangibles	17,437	5,431	12,006
Balance, May 31, 2011	$ 25,424	$ 8,220	$ 17,204

Amortization expense for intangibles totaled $2,537,000, $2,144,000 and $1,701,000 in 2012, 2011, and 2010, respectively. The estimated amortization expense for each of the five succeeding years is as follows: $2,438,000 in 2013, $2,259,000 in 2014, $2,032,000 in 2015, $1,818,000 in 2016, and $1,725,000 in 2017. The amortizable intangible assets useful lives are five to 20 years for licenses, five years for covenants not to compete, five to 20 years for patents, and 12 to 20 years for customer based intangibles. All definite lived intangibles are amortized on a straight line basis with the exception of definite lived customer based intangibles which are amortized on an accelerated basis.

3. Business Combinations

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

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

On April 1, 2010, Neogen Corporation acquired GeneSeek, Inc. of Lincoln, Nebraska, a leading commercial agricultural genetic laboratory. GeneSeek's technology employs high-resolution DNA genotyping for identity and trait analysis in a variety of important animal and agricultural plant species. Consideration for the purchase was $14,050,000 in cash and secondary payment obligations of up to $7,000,000. The allocation of the purchase price included accounts receivable of $1,923,000, inventory of $1,512,000, fixed assets of $847,000, current liabilities of $905,000, deferred tax liabilities of $2,530,000, secondary payment liabilities of $3,583,000, and the remainder to goodwill (not deductible for tax purposes) and other intangible assets (with estimated lives of five to 20 years). The allocation was generally based on the fair value of these assets determined using the income approach. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 fair value measurements. The secondary payment was based upon future operating results of the GeneSeek business through 2013, and payable annually over a three year period, measured at fair value, and is considered a Level 3 fair value measurement. The Company recorded a charge within other income (expense) of approximately $787,000 for the year ended May 31, 2011, representing the increase from its original estimate in fair value of the secondary payment liability. As of May 31, 2011, the balance of the secondary payment liability recorded was approximately $4,370,000. A payment of $1,856,000 was made in June, 2011 to the former owners of GeneSeek, comprised of $1,537,000 for the first year contingent payment and an additional $319,000 for inventory purchased post acquisition and settlement of other liabilities. In 2012, the Company reversed $154,000 of the secondary payment liability, based on a lower calculated second year payout than had been estimated at May 31, 2011 due to lower 2012 earnings. In May 2012, the second year payment of $1,263,000 was made to the former owners, and the balance of the secondary liability recorded at May 31, 2012 was $1,495,000 for the third and final year of the agreement. The acquisition has been integrated into the Animal Safety segment.

On June 21, 2011, Neogen Corporation acquired the assets of VeroMara seafood testing laboratory for approximately $813,000 in cash and a potential secondary payment of approximately $200,000 from its parent company, GlycoMar Ltd. Based in Oban, Scotland, VeroMara offers commercial testing for the shellfish and salmon aquaculture industries. VeroMara's offerings include tests for shellfish toxins, general foodborne pathogens, including *E. coli*, noroviruses, and salmon husbandry. VeroMara recorded revenues of approximately $800,000 (U.S.) in its most recently completed fiscal year. The acquisition is expected to provide a strong synergistic fit for the Company's Food Safety segment and was integrated into the Company's Scotland location.

On May 1, 2012, the Company purchased the assets of the Igenity animal genomics business from Merial Limited. Consideration for the purchase, which was determined through arm's length negotiations, was $3,200,000 in cash and included preliminary allocations of net current assets of $335,000, fixed assets of $340,000, $600,000 accrued for secondary consideration and intangible assets of $3,125,000. The allocation was generally based on the fair value of these assets determined using the income approach. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 fair value measurements. In the past, GeneSeek conducted the genetic testing of samples for Igenity, and Igenity used the information with its extensive bioinformatics system to identify the animal's positive or negative traits. The Igenity business will be moved to GeneSeek's operations in Lincoln, Nebraska, and operate as part of Neogen's GeneSeek subsidiary, within the Animal Safety segment.

4. Long-Term Debt

The Company has a financing agreement with a bank providing for an unsecured revolving line of credit of $12,000,000 which matures on September 1, 2013. There were no advances against this line of credit during 2012, 2011 and 2010 and no balance outstanding at May 31, 2012 and 2011. Interest is at LIBOR plus 100 basis points (rate under the terms of the agreement was 1.24% at May 31, 2012). Financial covenants include maintaining specified levels of tangible net worth, debt service coverage, and funded debt to EBITDA, each of which the Company was in compliance with at May 31, 2012 and May 31, 2011.

5. Equity Compensation Plans

Qualified and non-qualified options to purchase shares of common stock may be granted to directors, officers and employees of the Company under the terms of the Company's stock option plans. These options are granted at an exercise price of not less than the fair market value of the stock on the date of grant. Remaining shares available for grant under stock option plans were 1,108,000, 397,000 and 687,000 at May 31, 2012, 2011 and 2010, respectively. Options vest ratably over three and five year periods and the contractual terms are generally five years.

(In thousands, except for share price)	Shares	Weighted-Average Exercise Price	Weighted-Average Fair Value
Outstanding at May 31, 2009 (833 exercisable)	2,114	$ 11.67	$ 3.98
Granted	426	19.60	6.35
Exercised	(480)	8.57	3.04
Forfeited	(62)	13.56	4.54
Outstanding at May 31, 2010 (729 exercisable)	1,998	14.14	4.72
Granted	293	28.50	8.66
Exercised	(627)	9.83	3.98
Forfeited	(90)	18.22	5.84
Outstanding at May 31, 2011 (509 exercisable)	1,574	17.77	5.71
Granted	316	34.59	10.41
Exercised	(320)	12.44	4.39
Forfeited	(27)	16.62	5.39
Outstanding at May 31, 2012 (575 exercisable)	1,543	$ 22.34	$ 6.95

The following is a summary of stock options outstanding at May 31, 2012:

Options Outstanding				Options Exercisable	
Range of Exercise Price	Number	Average Remaining Contractual Life	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
$ 4.23–16.04	300,053	1.95	$ 11.29	212,744	$ 10.35
16.05–19.17	296,455	2.12	17.99	170,610	17.84
19.18–19.94	328,155	2.57	19.55	117,481	19.55
19.95–33.92	300,450	4.10	27.66	72,486	26.58
33.93–40.58	318,000	4.74	34.70	1,767	40.47
	1,543,113	3.11	$ 22.34	575,088	$ 16.59

The weighted-average exercise price of shares that were exercisable at May 31, 2012 and 2011 was $16.59 and $13.32, respectively. The weighted-average grant-date fair value of options granted in 2012, 2011, and 2010 was $10.41, $8.66 and $6.35, respectively.

The aggregate intrinsic value of options outstanding and options exercisable was $25,617,000 and $12,855,000 respectively, at May 31, 2012, $42,607,000 and $16,040,000 respectively, at May 31, 2011 and $23,119,000 and $10,740,000 respectively, at May 31, 2010. The aggregate intrinsic value of options exercised during the year was $8,226,000 in 2012, $15,262,000 in 2011 and $6,554,000 in 2010. Remaining compensation costs to be expensed in future periods for non-vested options was $3,206,000 at May 31, 2012, with a weighted average expense recognition period of 2.3 years.

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

(In thousands except for share price)	Shares	Weighted-Average Exercise Price
Outstanding warrants at May 31, 2009	52	$ 8.40
Warrants exercised during the year	(20)	8.28
Warrants forfeited during the year	(3)	8.55
Outstanding warrants at May 31, 2010	29	8.48
Warrants exercised during the year	(20)	8.30
Warrants forfeited during the year	(2)	8.18
Outstanding warrants at May 31, 2011	7	9.02
Warrants exercised during the year	(2)	9.02
Warrants forfeited during the year	(5)	9.02
Outstanding warrants at May 31, 2012	–	$ –

Common stock totaling 58,464 of the 225,000 originally authorized shares are reserved for issuance under the terms of the 2002 Employee Stock Purchase Plan. An additional 250,000 shares are also reserved for issuance under the terms of the 2011 Employee Stock Purchase Plan. The plan gives eligible employees the option to purchase common stock at a 5% discount to the lower of the market value of the stock at the beginning or end of each participation period. Total individual purchases in any year are limited to 10% of compensation. Shares purchased by employees were 14,144, 18,252 and 19,828 in 2012, 2011 and 2010, respectively.

6. Income Taxes

The provision for income taxes consisted of the following:

Year ended May 31 (In thousands),	**2012**	2011	2010
Current			
U.S. Taxes	**$ 9,520**	$ 9,336	$ 9,550
Foreign	**587**	811	450
Deferred	**1,343**	2,253	(200)
	$ 11,450	$ 12,400	$ 9,800

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

Year ended May 31 (In thousands),	**2012**	2011
Deferred income tax liabilities		
Indefinite and long-lived assets	**$ (11,238)**	$ (9,500)
Prepaids	**(365)**	(475)
	(11,603)	(9,975)
Deferred income tax assets		
Inventories and accounts receivable	**1,149**	1,041
Acquired net operating loss carryforwards	**19**	195
Accrued liabilities and other	**1,789**	1,436
	2,957	2,672
Net deferred income tax liabilities	**$ (8,646)**	$ (7,303)

The remaining acquired net operating loss carryforwards resulted in a deferred tax asset at May 31, 2012 of $19,000, which will expire in 2019.

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

Year ended May 31 (In thousands),	**2012**	2011	2010
Tax at U.S. statutory rates	**$ 11,900**	$ 12,300	$ 9,600
Tax credits and other	**(755)**	(145)	(25)
Provisions for state income taxes, net of federal benefit	**305**	245	225
	$ 11,450	$ 12,400	$ 9,800

At the end of 2011, the Company was under audit by the Internal Revenue Service for its 2009 fiscal year; in 2012 this audit was expanded to include the 2010 fiscal year as well. The audit concluded in late 2012 with a slight favorable adjustment; thus, amounts totaling $550,000 which had been reserved as uncertain tax positions were reversed in the fourth quarter of 2012, resulting in an effective tax rate of 33.7% for 2012. Absent this adjustment, the Company's 2012 tax rate would have been 35.3%, compared to 35.2% in 2011 and 35.9% in 2010.

The Company has no significant accrual for unrecognized tax benefits at May 31, 2012. Should the accrual of any interest or penalties relative to unrecognized tax benefits be necessary, such accruals will be reflected within income tax accounts. For the majority of tax jurisdictions, the Company is no longer subject to U.S. Federal, State and local or non U.S. income tax examinations by tax authorities for fiscal years before 2010.

7. Commitments and Contingencies

The Company is involved in environmental remediation and monitoring activities at its Randolph, Wisconsin manufacturing facility and accrues for related costs when such costs are determined to be probable and estimable. The Company is currently expensing annual costs of remediation which have ranged from $50,000 to $105,000 per year over the past five years. The Company's estimated liability for these costs of $916,000 at May 31, 2012 and 2011, measured on an undiscounted basis over an estimated period of 15 years, is recorded within other long term liabilities in the consolidated balance sheet.

In August 2011 the company purchased a facility in Lexington, Kentucky for $4,950,000. This purchase provides the Company an additional 128,000 square feet of office, production and warehouse space. Currently a large portion of the building is leased to outside parties. Lease rental income is expected to be $191,000 for 2013, $183,000 for 2014 and $119,000 for 2015.

The Company has entered into an agreement to purchase an additional 36,000 square foot facility adjacent to the Company's facility on the campus of the Scottish Agricultural College in Ayr, Scotland for approximately $1.5 million. The purchase is expected to be completed in the first half of fiscal year 2013.

The Company has agreements with unrelated third parties that provide for the payment of license fees and royalties on the sale of certain products. License fees and royalty expense under the terms of these agreements was $1,371,000, $1,561,000 and $1,337,000 for 2012, 2011 and 2010, respectively.

The Company has agreements with unrelated third parties that provide for guaranteed minimum royalty payments for certain technologies, as follows: 2013–$250,000, 2014–$350,000, 2015–$500,000, and 2016 and later–$0.

The Company leases office and manufacturing facilities under noncancelable operating leases. Rent expense for 2012, 2011 and 2010 was $495,000, $477,000 and $428,000, respectively. Future minimum rental payments for these leases over their remaining terms are as follows: 2012–$ 87,000; and 2013–$0.

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 $760,000, $733,000 and $622,000 in 2012, 2011 and 2010, respectively.

9. Segment Information

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

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

Segment information is as follows:

(In thousands)	Food Safety	Animal Safety	Corporate and Eliminations[1]	Total
2012				
Net sales to external customers	**$ 91,104**	**$ 92,942**	**$ –**	**$ 184,046**
Operating income (loss)	**23,932**	**12,039**	**(2,232)**	**33,739**
Depreciation and amortization	**3,500**	**2,673**	**–**	**6,173**
Interest income	**–**	**–**	**107**	**107**
Income taxes (benefit)	**7,795**	**3,589**	**66**	**11,450**
Total assets	**62,227**	**106,987**	**82,386**	**251,600**
Expenditures for long-lived assets	**4,633**	**7,780**	**–**	**12,413**
2011				
Net sales to external customers	$ 85,514	$ 87,169	$ –	$ 172,683
Operating income (loss)	24,305	13,342	(1,812)	35,835
Depreciation and amortization	3,251	2,078	–	5,329
Interest income	–	–	95	95
Income taxes (benefit)	8,410	4,617	(627)	12,400
Total assets	78,373	90,832	50,457	219,662
Expenditures for long-lived assets	4,908	2,888	–	7,796
2010				
Net sales to external customers	$ 76,454	$ 64,055	$ –	$ 140,509
Operating income (loss)	21,103	7,801	(2,025)	26,879
Depreciation and amortization	2,924	1,511	–	4,435
Interest income	–	–	81	81
Income taxes (benefit)	7,570	2,798	(568)	9,800
Total assets	74,583	87,894	17,756	180,233
Expenditures for long-lived assets	4,364	1,067	–	5,431

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

Sales to customers located outside the United States amounted to $76,672,000 or 41.7% of consolidated sales in 2012, $72,724,000 or 42.1% in 2011 and $56,031,000 or 39.9% in 2010 and were derived primarily in the geographic areas of Europe, Canada, South and Central America, and Asia. Revenues from one Food Safety distributor customer were 8.8% of total revenues in 2012, 9.7% in 2011 and 10.3% in 2010. No other customer represented revenues in excess of 10% of consolidated net sales in any of the three years. The United States based operations represent 96% of the Company's long-lived assets as of May 31, 2012 and 2011.

10. Stock Repurchase

In December 2008, the Company's Board of Directors authorized a program to purchase, subject to market conditions, up to 750,000 shares of the Company's common stock. As of May 31, 2012, 74,684 cumulative shares have been purchased in negotiated and open market transactions for a total price, including commissions, of approximately $923,000. There were no purchases in 2012 or 2011. Shares purchased under the program were retired.

11. Summary of Quarterly Data (Unaudited)

	Quarter Ended			
(In thousands, except per share)	August 2011	November 2011	February 2012	May 2012
Net sales	$ 45,697	$ 44,891	$ 44,912	$ 48,546
Gross margin	22,977	22,657	22,892	23,899
Net income	6,004	5,237	5,244	6,028
Basic net income per share	0.26	0.22	0.22	0.26
Diluted net income per share	0.25	0.22	0.22	0.25

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

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

Reports

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rues 13-a-15(f) and 15d-15(f). Under the supervision and with the participation of the company's management, including the Chief Executive Officer and Chief Financial Officer, an evaluation was conducted as to the effectiveness of internal control over financial reporting as of May 31, 2012, based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that internal control over financial reporting was effective as of May 31, 2012. The effectiveness of internal control over financial reporting as of May 31, 2012, has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in its attestation report, which is included below.

Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting were identified as having occurred during the year ended May 31, 2012 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

James L. Herbert
Chairman and CEO

Steven J. Quinlan
Vice President and CFO

July 30, 2012

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, 2012, 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, 2012, 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, 2012 and 2011, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended May 31, 2012, and our report dated July 30, 2012 expressed an unqualified opinion thereon.

Ernst & Young LLP

Grand Rapids Michigan
July 30, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Neogen Corporation

We have audited the accompanying consolidated balance sheets of Neogen Corporation (the Company) as of May 31, 2012 and 2011, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended May 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Neogen Corporation at May 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended May 31, 2012, in conformity with U.S. generally accepted accounting principles.

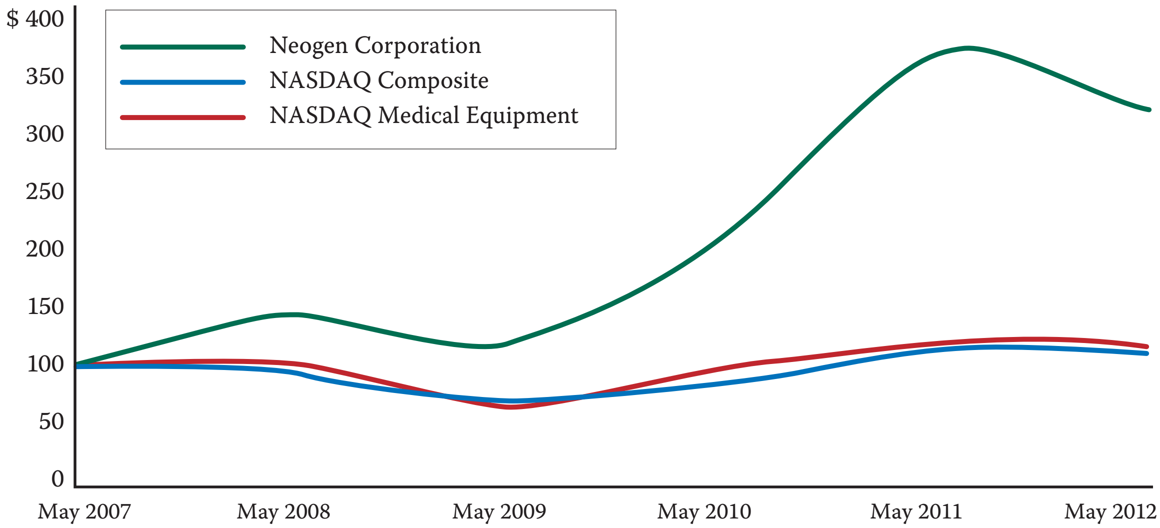
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Neogen Corporation's internal control over financial reporting as of May 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 30, 2012 expressed an unqualified opinion thereon.

Ernst & Young LLP

Grand Rapids Michigan
July 30, 2012

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, 2007 in stock or index, including reinvestment of dividends. Fiscal year ending May 31.

May 31 of:	2007	2008	2009	2010	2011	**2012**
Neogen Corporation	$ 100.00	$ 144.30	$ 120.75	$ 211.28	$ 368.48	**$320.00**
NASDAQ Composite	100.00	94.87	70.94	86.49	113.35	**112.60**
NASDAQ Medical Equipment	100.00	103.40	66.73	96.83	119.06	**117.06**

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

Stock Profile Activity

Neogen Common Stock is traded on the NASDAQ Global Select Market under the symbol "NEOG". The following table sets forth, for the fiscal periods indicated, the high and low sales prices for the Common Stock as reported on the NASDAQ Stock Market. As of July 29, 2012, there were approximately 356 stockholders of record of Common Stock that management believes represents a total of approximately 7,391 beneficial holders. Neogen has never paid any cash dividends on its Common Stock and does not anticipate paying any cash dividends in the foreseeable future.

Year Ended		High	Low
May 31, 2012	Fourth Quarter	**$ 39.88**	**$ 33.78**
	Third Quarter	36.16	30.14
	Second Quarter	39.90	32.08
	First Quarter	47.80	32.68
May 31, 2011	Fourth Quarter	**$ 44.84**	**$ 36.80**
	Third Quarter	42.26	35.63
	Second Quarter	37.58	30.73
	First Quarter	29.91	25.06

Neogen Corporation Officers and Directors

Officers

James L. Herbert
Chairman of the Board
Chief Executive Officer

Lon M. Bohannon
President
Chief Operating Officer

Steven J. Quinlan
Vice President
Chief Financial Officer and Secretary

Edward L. Bradley
Vice President, Food Safety

Kenneth V. Kodilla
Vice President, Manufacturing

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

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

Terri A. Morrical
Vice President, Animal Safety

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

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

Directors

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

Lon M. Bohannon
Neogen Corporation
President
Chief Operating Officer

William T. Boehm
Kroger Company
Former Senior Vice President

President's Council of Economic Advisors
Former Senior Economist

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

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

A. Charles Fischer
Dow AgroSciences
Former President and CEO

G. Bruce Papesh
Dart, Papesh & Co.
President

Jack C. Parnell
Kahn, Soares & Conway

U.S. Department of Agriculture
Former Deputy Secretary

Thomas H. Reed
Tom Reed & Associates
President

JBS Packerland
Former Senior Vice President

Michigan Livestock Exchange
Former President and CEO

MSU Board of Trustees
Former Chairman

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

U.S. Department of Agriculture
Former Secretary

Former U.S. Trade Representative

Directors Emeritus

Robert M. Book
Agrivista, Inc.
President

Elanco Products Company
Former Vice President

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

Legal Counsel

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2375 Woodlake Drive
Suite 380
Okemos, MI 48864

Fraser Trebilcock Davis & Dunlap, P.C.
124 W. Allegan, Suite 1000
Lansing, MI 48933

Independent Registered Public Accounting Firm

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

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

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

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

Stock Transfer Agent and Registrar

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

Annual Meeting

October 4, 2012
10:00 a.m.
University Club
Michigan State University
3435 Forest Road
Lansing, MI 48909

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NC013-0812





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