MERIDIAN BIOSCIENCE INC
Form 10-Q
August 09, 2011

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended June 30, 2011
OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission file number 0-14902
MERIDIAN BIOSCIENCE, INC.
Incorporated under the laws of Ohio
31-0888197
(I.R.S. Employer Identification No.)
3471 River Hills Drive
Cincinnati, Ohio 45244
(513) 271-3700

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding July 31, 2011
Common Stock, no par value	41,051,356

MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
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The Private Securities Litigation Reform Act of 1995 provides a safe harbor from civil litigation for forward-looking statements accompanied by meaningful cautionary statements. Except for historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, which may be identified by words such as estimates , anticipates , projects , plans , seeks , may , will , expects , intends , believes , should and

similar expressions or the negative versions thereof and which also may be identified by their context. Such statements, whether expressed or implied, are based upon current expectations of the Company and speak only as of the date made. The Company assumes no obligation to publicly update or revise any forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized. These statements are subject to various risks, uncertainties and other factors that could cause actual results to differ materially, including, without limitation, the following: Meridian s continued growth depends, in part, on its ability to introduce into the marketplace enhancements of existing products or new products that incorporate technological advances, meet customer requirements and respond to products developed by Meridian s competition. While Meridian has introduced a number of internally developed products, there can be no assurance that it will be successful in the future in introducing such products on a timely basis. Ongoing consolidations of reference laboratories and formation of multi-hospital alliances may cause adverse changes to pricing and distribution. Recessionary pressures on the economy and the markets in which our customers operate, as well as adverse trends in buying patterns from customers can change expected results. Costs and difficulties in complying with laws and regulations administered by the United States Food and Drug Administration can result in unanticipated expenses and delays and interruptions to the sale of new and existing products. Changes in the relative strength or weakness of the U.S. dollar can also change expected results. One of Meridian s main growth strategies is the acquisition of companies and product lines. There can be no assurance that additional acquisitions will be consummated or that, if consummated, will be successful and the acquired businesses will be successfully integrated into Meridian s operations. There may be risks that acquisitions may disrupt operations and may pose potential difficulties in employee retention and there may be additional risks with respect to Meridian s ability to recognize the benefits of acquisitions, including potential synergies and cost savings or the failure of acquisitions to achieve their plans and objectives. The Company cannot predict the possible impact of recently-enacted United States healthcare legislation and any similar initiatives in other countries on its results of operations. In addition to the factors described in this paragraph, Part I, Item 1A Risk Factors of our Form 10-K contains a list and description of uncertainties, risks and other matters that may affect the Company.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)
(in thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
NET SALES	$ 40,052	$ 33,857	$ 118,374	$ 107,461
COST OF SALES	14,626	12,121	43,046	40,073
GROSS PROFIT	25,426	21,736	75,328	67,388
OPERATING EXPENSES				
Research and development	2,710	2,128	7,383	6,521
Selling and marketing	6,143	4,287	17,847	13,495
General and administrative	6,442	4,872	18,675	14,042
European and global sales & marketing leadership reorganization			1,240	
Bioline Group transaction costs		673		673
Total operating expenses	15,295	11,960	45,145	34,731
OPERATING INCOME	10,131	9,776	30,183	32,657
OTHER INCOME (EXPENSE)				
Interest income	26	29	70	90
Other, net	36	(9)	357	(17)
Total other income (expense)	62	20	427	73
EARNINGS BEFORE INCOME TAXES	10,193	9,796	30,610	32,730
INCOME TAX PROVISION	3,357	3,372	10,489	11,405
NET EARNINGS	$ 6,836	$ 6,424	$ 20,121	$ 21,325
BASIC EARNINGS PER COMMON SHARE	$ 0.17	$ 0.16	$ 0.49	$ 0.53
DILUTED EARNINGS PER COMMON SHARE	$ 0.17	$ 0.16	$ 0.49	$ 0.52

AVERAGE NUMBER OF COMMON SHARES OUTSTANDING BASIC	40,737	40,535	40,680	40,510
EFFECT OF DILUTIVE STOCK OPTIONS	657	616	673	656
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING DILUTED	41,394	41,151	41,353	41,166
ANTI-DILUTIVE SECURITIES:				
Common share options	160	234	177	207
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.19	$ 0.19	$ 0.57	$ 0.55

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(dollars in thousands)

Nine Months Ended June 30,	**2011**	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 20,121	$ 21,325
Non-cash items:		
Depreciation of property, plant and equipment	2,525	2,307
Amortization of intangible assets	1,796	1,079
Amortization of deferred illumigene contract costs	81	
Stock-based compensation	1,981	1,255
Deferred income taxes	(1,622)	(108)
Loss on disposition of fixed assets	7	15
Unrealized loss on auction-rate securities and rights, net		10
Change in current assets	(10,176)	2,151
Change in current liabilities	2,451	(4,327)
Other, net	(546)	(6)
Net cash provided by operating activities	16,618	23,701
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(7,666)	(3,681)
Purchases of intangibles and other assets	(12)	
Purchases of short-term investments		(1,000)
Proceeds from sales and calls of short-term investments		8,275
Net cash (used for) provided by investing activities	(7,678)	3,594
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(23,192)	(22,282)
Proceeds and tax benefits from exercises of stock options	1,481	559
Net cash used for financing activities	(21,711)	(21,723)
Effect of Exchange Rate Changes on Cash and Equivalents	455	(1,383)
Net (Decrease) Increase in Cash and Equivalents	(12,316)	4,189
Cash and Equivalents at Beginning of Period	37,879	54,030
Cash and Equivalents at End of Period	$ 25,563	$ 58,219

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(dollars in thousands)
ASSETS

	June 30, 2011	September 30, 2010
CURRENT ASSETS		
Cash and equivalents	$ 25,563	$ 37,879
Accounts receivable, less allowances of $125 and $241	23,987	22,064
Inventories	34,066	28,420
Prepaid expenses and other current assets	6,571	5,071
Deferred income taxes	2,335	1,871
Total current assets	92,522	95,305
PROPERTY, PLANT AND EQUIPMENT, at Cost		
Land	1,194	991
Buildings and improvements	21,406	20,670
Machinery, equipment and furniture	31,382	31,945
Construction in progress	5,946	1,320
Subtotal	59,928	54,926
Less: accumulated depreciation and amortization	33,472	33,689
Net property, plant and equipment	26,456	21,237
OTHER ASSETS		
Goodwill	23,443	23,302
Other intangible assets, net	11,632	13,327
Restricted cash	1,000	1,000
Deferred illumigene contract costs	2,643	231
Other assets	255	239
Total other assets	38,973	38,099
TOTAL ASSETS	$ 157,951	$ 154,641

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(dollars in thousands)
LIABILITIES AND SHAREHOLDERS EQUITY

	June 30, 2011	September 30, 2010
CURRENT LIABILITIES		
Accounts payable	$ 6,093	$ 4,466
Accrued employee compensation costs	4,100	3,451
Other accrued expenses	5,457	5,521
Income taxes payable	1,532	1,086
Total current liabilities	17,182	14,524
DEFERRED INCOME TAXES	2,649	2,756
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Preferred stock, no par value, 1,000,000 shares authorized, none issued		
Common shares, no par value, 71,000,000 shares authorized, 41,048,269 and 40,654,286 shares issued, respectively		
Additional paid-in capital	97,577	94,529
Retained earnings	39,106	42,177
Accumulated other comprehensive income	1,437	655
Total shareholders equity	138,120	137,361
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 157,951	$ 154,641

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Changes in Shareholders Equity (Unaudited)
(dollars and shares in thousands)

	Common Shares Issued	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	*Comprehensive Income (Loss)*	Total Shareholders Equity
Balance at September 30, 2010	40,654	$ 94,529	$ 42,177	$ 655		$ 137,361
Cash dividends paid			(23,192)			(23,192)
Exercise of stock options	212	1,067				1,067
Issuance of restricted shares	182					
Stock compensation expense		1,981				1,981
Comprehensive income:						
Net earnings			20,121		$ *20,121*	20,121
Foreign currency translation adjustment				1,203	*1,203*	1,203
Other comprehensive income taxes				(421)	*(421)*	(421)
Comprehensive income					$ *20,903*	
Balance at June 30, 2011	41,048	$ 97,577	$ 39,106	$ 1,437		$ 138,120

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
Dollars in Thousands, Except Per Share Amounts
(Unaudited)

1. Basis of Presentation

The interim condensed consolidated financial statements are unaudited and are prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, and the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of Management, the interim financial statements include all normal adjustments and disclosures necessary to present fairly the Company s financial position as of June 30, 2011, the results of its operations for the three and nine month periods ended June 30, 2011 and 2010, and its cash flows for the nine month periods ended June 30, 2011 and 2010. These statements should be read in conjunction with the financial statements and footnotes thereto included in the Company s fiscal 2010 Annual Report on Form 10-K. Financial information as of September 30, 2010 has been derived from the Company s audited consolidated financial statements.

The results of operations for interim periods are not necessarily indicative of the results to be expected for the year.

2. Significant Accounting Policies

(a) ***Revenue Recognition and Accounts Receivable***

Revenue is generally recognized from sales when product is shipped and title has passed to the buyer. Revenue for the U.S. Diagnostics operating segment is reduced at the date of sale for estimated rebates that will be claimed by customers. Management estimates accruals for rebate agreements based on data provided by these customers, estimates of inventories of our products held by these customers, historical statistics, current trends, and other factors. Changes to the accruals are recorded in the period that they become known. Our rebate accruals were $4,272 at June 30, 2011 and $5,273 at September 30, 2010.

Revenue for our Diagnostics operating segments includes bundled product revenue for our ***illumi****gene*® molecular test system. The bundled product includes a reader instrument, instrument accessories, and test kits. In many instances, amounts invoiced for the ***illumi****gene*® test kits cover the reader instrument, accessories, and test kits. Revenue is recognized based on kit sales. Costs for the reader instruments are recognized in earnings over the period that we have a pricing agreement in effect with the customer, generally three years.

Life Science revenue for contract services may come from research and development services or manufacturing services, including process development work, or a combination of both. Revenue is recognized based on each of the deliverables in a given arrangement having distinct and separate customer pricing. Pricing is often subject to a competitive bidding process. Contract research and development services may be performed on a time and materials basis or fixed fee basis. For time and materials arrangements, revenue is recognized as services are performed and billed. For fixed fee arrangements, revenue is recognized upon completion and acceptance by the customer. For contract manufacturing services, revenue is generally recognized upon delivery of product and acceptance by the customer. In some cases, customers may request that we store on their behalf clinical grade biologicals that we produce under contract manufacturing agreements. These cases arise when customers do not have clinical grade storage facilities or do not want to risk contamination during transport. For such cases, revenue may be recognized on a bill-and-hold basis.

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Trade accounts receivable are recorded in the accompanying Condensed Consolidated Balance Sheets at invoiced amounts less provisions for rebates and doubtful accounts. The allowance for doubtful accounts represents our estimate of probable credit losses and is based on historical write-off experience. The allowance for doubtful accounts and related metrics, such as days sales outstanding, are reviewed monthly. Accounts with past due balances over 90 days are reviewed individually for collectibility. Customer invoices are charged off against the allowance when we believe it is probable that the invoices will not be paid.

(b) ***Comprehensive Income (Loss)***

Our comprehensive income or loss is comprised of net earnings, foreign currency translation and the related income tax effects.

Assets and liabilities of foreign operations are translated using period-end exchange rates with gains or losses resulting from translation included as a separate component of comprehensive income or loss. Revenues and expenses are translated using exchange rates prevailing during the period. We also recognize foreign currency transaction gains and losses on certain assets and liabilities that are denominated in the Australian dollar, British pound and Euro currencies. These gains and losses are included in other income and expense in the accompanying Condensed Consolidated Statements of Operations.

Comprehensive income for the interim periods was as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Net earnings	$ 6,836	$ 6,424	$ 20,121	$ 21,325
Foreign currency translation adjustment	335	(1,287)	1,203	(2,429)
Income taxes	(117)	451	(421)	850
Comprehensive income	$ 7,054	$ 5,588	$ 20,903	$ 19,746

(c) ***Income Taxes***

The provision for income taxes includes federal, foreign, state and local income taxes currently payable and those deferred because of temporary differences between income for financial reporting and income for tax purposes. We prepare estimates of permanent and temporary differences between income for financial reporting purposes and income for tax purposes. These differences are adjusted to actual upon filing of our tax returns, typically occurring in the third and fourth quarters of the current fiscal year for the preceding fiscal year s estimates.

We account for uncertain tax positions using a benefit recognition model with a two-step approach: (i) a more-likely-than-not recognition criterion; and (ii) a measurement attribute that measures the position as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit is recorded. We recognize accrued interest and penalties related to unrecognized tax benefits as a portion of our income tax provision in the Condensed Consolidated Statements of Operations.

(d) ***Stock-based Compensation***

We recognize compensation expense for all stock-based awards made to employees, based upon the fair value of the stock-based award on the date of the grant. Shares are expensed over their requisite service period.

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(e) ***Cash, Cash Equivalents and Investments***

Our investment portfolio includes the following components:

	June 30, 2011		September 30, 2010	
	Cash and Equivalents	Other	Cash and Equivalents	Other
Taxable investments -				
Overnight repurchase agreements	$ 11,332	$	$ 14,862	$
Money market funds			10,249	
Cash on hand -				
Restricted		1,000		1,000
Unrestricted	14,231		12,768	
Total	$ 25,563	$ 1,000	$ 37,879	$ 1,000

(f) ***Recent Accounting Pronouncements***

In May 2011, FASB issued Accounting Standards Update (ASU) No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* FASB ASU No. 2011-04 amends and clarifies the measurement and disclosure requirements of FASB ASC 820, resulting in common requirements for measuring fair value and for disclosing information about fair value measurements, clarification of how to apply existing fair value measurement and disclosure requirements, and changes to certain principles and requirements for measuring fair value and disclosing information about fair value measurements. The new requirements are effective for fiscal years beginning after December 15, 2011. The Company plans to adopt this amended guidance on October 1, 2012 and at this time does not anticipate that it will have a material impact on the Company s consolidated results of operations, cash flows or financial position.

In June 2011, FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*, which amends the disclosure and presentation requirements of Comprehensive Income. Specifically, FASB ASU No. 2011-05 requires that all nonowner changes in shareholders equity be presented either in 1) a single continuous statement of comprehensive income or 2) two separate but consecutive statements, in which the first statement presents total net income and its components, and the second statement presents total other comprehensive income and its components. These new presentation requirements are effective for the Company beginning October 1, 2012, with early adoption permitted. The Company will proceed with evaluating the presentation alternatives provided within FASB ASU No. 2011-05, as well as the permitted dates of adoption, and determine the most appropriate changes to be made to the current presentation of comprehensive income within its Statement of Changes in Shareholders Equity and when to make such changes.

(g) ***Reclassifications***

Certain reclassifications have been made to the prior period financial statements to conform to the current fiscal period presentation. Such reclassifications had no impact on net earnings or shareholders equity.

3. Acquisition of Bioline Group

On July 20, 2010, we acquired all of the outstanding common stock of the Bioline group of companies (collectively the Bioline Group). We paid $23,849 from cash and equivalents on hand to acquire the Bioline Group. Headquartered in London, England, the Bioline Group is a leading manufacturer and distributor of molecular biology reagents with additional operations in Germany, Australia and the United States. The highly specialized molecular biology reagents it supplies to the life science research, biotech, pharmaceutical and commercial diagnostics markets are the critical

components used in PCR testing for DNA, RNA and other genomic testing.

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As a result of the consideration paid exceeding the fair value of the net assets being acquired, goodwill in the amount of $12,992 was recorded in connection with this acquisition, none of which will be deductible for tax purposes. This goodwill results largely from the addition of key global operations and direct sales capabilities, management talent and a research-oriented customer base, to complement our existing Life Science operations. In addition to the Bioline Group s results of operations, which are included in our Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2011 and reported as part of the Life Science operating segment, the consolidated results for the three and nine months ended June 30, 2011 also include:

i) $0 and $587 of Cost of Sales for the three and nine months, respectively, related to the roll-out of fair value inventory adjustments for sales of products that were in the Bioline Group s inventory on the date of acquisition and, therefore, were valued at fair value, rather than manufactured cost, in the opening balance sheet; and

ii) $260 and $767 of General and Administrative Expenses for the three and nine months, respectively, related to the amortization of specific identifiable intangible assets recorded on the opening balance sheet, including customer relationships, license agreements, non-compete agreements, manufacturing processes and trade names.

The results of the Bioline Group included in the consolidated results of the Company for the three and nine months ended June 30, 2011 are as follows, reflecting the items noted above and adjustments to the Group s income tax provision during the three months ended June 30, 2011:

	Three Months Ended June 30, 2011	Nine Months Ended June 30, 2011
Net Sales	$ 3,905	$ 10,966
Operating Income (Loss)	$ 83	$ (91)
Net (Loss) Earnings	$ (31)	$ 28

The recognized amounts of identifiable assets acquired and liabilities assumed in the acquisition of the Bioline Group are as follows:

	July 20, 2010 (as initially reported)	Measurement Period Adjustments	July 20, 2010 (as adjusted)
Fair value of assets acquired -			
Cash and equivalents	$ 3,445		$ 3,445
Accounts receivable	1,897		1,897
Inventories	2,807		2,807
Other current assets	371	$ (21)	350
Property, plant and equipment, net	816		816
Goodwill	13,166	(174)	12,992
Other intangible assets (estimated useful life):			
Customer relationships (10 years)	3,898		3,898
Manufacturing processes (6 years)	1,467		1,467
License agreements (approx. 8 year wtd. avg.)	718		718
Non-compete agreements (1 year)	122		122
Trade names (10 years)	995		995

	29,702	(195)	29,507
Fair value of liabilities assumed -			
Accounts payable and accrued expenses	2,817	364	3,181
Deferred income tax liabilities	3,036	(559)	2,477
Total consideration paid	$ 23,849	$	$ 23,849

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As of June 30, 2011, the purchase price allocation related to the acquisition of the Bioline Group has been finalized and is reflected in the above fair values of the assets acquired and liabilities assumed. These fair values are based on the information that was available as of the acquisition date and the subsequent filing of this Form 10-Q and are reflected in the accompanying Condensed Consolidated Balance Sheets, including retrospective adjustment of the September 30, 2010 Condensed Consolidated Balance Sheet.

The consolidated pro forma results of the combined entities of Meridian and the Bioline Group, had the acquisition date been October 1, 2009, are as follows for the periods indicated:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Net Sales	$ 40,052	$ 37,361	$ 118,374	$ 117,208
Net Earnings	$ 6,857	$ 7,201	$ 20,565	$ 20,757
Diluted Earnings Per Common Share	$ 0.17	$ 0.17	$ 0.50	$ 0.50

These pro forma amounts have been calculated after adjusting the results of the Bioline Group to reflect the transaction costs incurred by the Company and the additional amortization that would have been charged assuming the previously-discussed fair value adjustments to inventory and identifiable intangible assets had been applied on October 1, 2009, together with the consequential tax effects. Fiscal 2011 pro forma earnings exclude $21 and $444 for the three and nine month periods, respectively, related to amortization of the fair value adjustments to inventory and identifiable intangible assets and the related tax effects, as these amounts have been included in the fiscal 2010 pro forma earnings.

4. Inventories

Inventories are comprised of the following:

		June 30, 2011	September 30, 2010
Raw materials		$ 6,821	$ 6,221
Work-in-process		7,655	6,784
Finished goods	illumigene instruments	3,556	455
Finished goods	kits and other	17,443	16,090
Gross inventory		35,475	29,550
Less: Reserves		(1,409)	(1,130)
Net inventory		$ 34,066	$ 28,420

5. Major Customers and Segment Information

Meridian was formed in 1976 and functions as a fully-integrated research, development, manufacturing, marketing and sales organization with primary emphasis in the field of life science. Our principal businesses are (i) the development, manufacture and distribution of diagnostic test kits primarily for gastrointestinal, viral, respiratory and parasitic infectious diseases; (ii) the manufacture and distribution of bulk antigens, antibodies, PCR/qPCR reagents, nucleotides, competent cells and bioresearch reagents used by researchers and other diagnostic manufacturers; and (iii) the contract development and manufacture of proteins and other biologicals for use by biopharmaceutical and biotechnology companies engaged in research for new drugs and vaccines.

Our reportable operating segments are U.S. Diagnostics, European Diagnostics and Life Science. The U.S. Diagnostics operating segment consists of manufacturing operations in Cincinnati, Ohio, and the sale and distribution of diagnostic test kits in the U.S. and countries outside of Europe, Africa and the Middle East. The European

Diagnostics operating segment consists of the sale and distribution of diagnostic test kits in Europe, Africa and the Middle East. The Life Science operating segment consists of manufacturing operations in Memphis, Tennessee; Saco, Maine; Boca Raton, Florida; London, England; Luckenwalde, Germany; and Sydney, Australia, and the sale and distribution of bulk antigens, antibodies, PCR/qPCR reagents, nucleotides, competent cells and bioresearch reagents domestically and abroad. The Life Science operating segment also includes the contract development and manufacture of cGMP clinical grade proteins and other biologicals for use by biopharmaceutical and biotechnology companies engaged in research for new drugs and vaccines.

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Two distributor customers accounted for 47% and 52% of the U.S. Diagnostics operating segment third-party sales during the three months ended June 30, 2011 and 2010, respectively, and 50% and 58% during the nine months ended June 30, 2011 and 2010, respectively. This lower percentage of sales reflects the fact that the majority of our ***illumi****gene*® product sales are direct, as well as the comparative decline in the distributors inventory stocking of influenza and other products. Three customers accounted for 17% and 29% of the Life Science operating segment third-party sales during the three months ended June 30, 2011 and 2010, respectively, and 18% and 33% during the nine months ended June 30, 2011 and 2010, respectively, primarily reflecting the addition of the Bioline Group. Segment information for the interim periods is as follows:

	U.S. Diagnostics	European Diagnostics	Life Science	Eliminations(1)	Total
Three Months Ended June 30, 2011					
Net sales -					
Third-party	$ 23,829	$ 6,612	$ 9,611	$	$ 40,052
Inter-segment	2,875	9	141	(3,025)	
Operating income	8,399	978	797	(43)	10,131
Goodwill (June 30, 2011)	1,381		22,062		23,443
Other intangible assets, net (June 30, 2011)	1,741		9,891		11,632
Total assets (June 30, 2011)	71,831	20,680	94,164	(28,724)	157,951
Three Months Ended June 30, 2010					
Net sales -					
Third-party	$ 21,121	$ 6,218	$ 6,518	$	$ 33,857
Inter-segment	2,723	8	177	(2,908)	
Operating income	8,104	726	752	194	9,776
Goodwill (September 30, 2010)	1,381		21,921		23,302
Other intangible assets, net (September 30, 2010)	2,283	9	11,035		13,327
Total assets (September 30, 2010)	72,030	18,044	90,388	(25,821)	154,641
Nine Months Ended June 30, 2011					
Net sales -					
Third-party	$ 72,007	$ 18,926	$ 27,441	$	$ 118,374
Inter-segment	7,938	16	459	(8,413)	
Operating income	26,780	1,781	1,499	123	30,183
Nine Months Ended June 30, 2010					
Net sales -					
Third-party	$ 70,018	$ 19,103	$ 18,340	$	$ 107,461
Inter-segment	8,200	12	438	(8,650)	

Operating income	26,805	2,789	2,976	87	32,657

(1) Eliminations consist of inter-segment transactions.

Transactions between operating segments are accounted for at established intercompany prices for internal and management purposes, with all intercompany amounts eliminated in consolidation.

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6. Intangible Assets

A summary of our acquired intangible assets subject to amortization, as of June 30, 2011 and September 30, 2010 is as follows:

	June 30, 2011		September 30, 2010	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Manufacturing technologies, core products and cell lines	$ 11,664	$ 8,360	$ 11,644	$ 7,693
Trademarks, licenses and patents	3,654	1,329	3,547	997
Customer lists and supply agreements	12,322	6,330	12,537	5,816
Non-compete agreements	128	117	126	21
	$ 27,768	$ 16,136	$ 27,854	$ 14,527

The actual aggregate amortization expense for these intangible assets was $570 and $345 for the three months ended June 30, 2011 and 2010, respectively, and $1,796 and $1,079 for the nine months ended June 30, 2011 and 2010, respectively. The estimated aggregate amortization expense for these intangible assets for each of the fiscal years through fiscal 2015 is as follows: fiscal 2011 $2,336, fiscal 2012 $2,079, fiscal 2013 $2,078, fiscal 2014 $1,641 and fiscal 2015 $1,392.

7. Fair Value Measurements

We use fair value measurements to value our financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date for assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly. These include quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs, developed using our estimates and assumptions, which reflect those that the market participants would use. Such inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Determining where an asset or liability falls within the hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and we consider counterparty credit risk in the assessment of fair value.

We had no financial assets or liabilities carried at fair value at June 30, 2011 to be classified as Level 1, 2 or 3. As of September 30, 2010, financial assets and liabilities to be so classified were comprised solely of money market funds totaling $10,249 classified as Level 1, with no financial assets or liabilities classified as Level 2 or Level 3.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Refer to Forward Looking Statements following the Index in front of this Form 10-Q. In the discussion that follows, all amounts are in thousands (both tables and text), except per share data and percentages.

Following is a discussion and analysis of the financial statements and other statistical data that management believes will enhance the understanding of Meridian s financial condition and results of operations. This discussion should be read in conjunction with the financial statements and notes thereto beginning on page 1.

Results of Operations

Three Months Ended June 30, 2011

Net earnings for the third quarter of fiscal 2011 increased 6% to $6,836, or $0.17 per diluted share, from net earnings for the third quarter of fiscal 2010 of $6,424, or $0.16 per diluted share. This increase reflects the combined effects of both increased sales and increased operating expenses, resulting primarily from the inclusion of the Bioline Group, which was acquired in July 2010. Consolidated sales increased 18% to $40,052 for the third quarter of fiscal 2011 compared to the same period of the prior year, reflecting the impact of Bioline Group sales and increases in sales across all four of our diagnostic focus product families: *C. difficile*, Foodborne, *H. pylori* and Upper Respiratory.

Sales for the U.S. Diagnostics operating segment for the third quarter of fiscal 2011 increased 13% compared to the third quarter of fiscal 2010, reflecting growth across all four of our focus product families ranging from 8% growth in our *H. pylori* products to 26% growth in our foodborne products. Third quarter 2011 sales for our European Diagnostics operating segment increased 6% compared to the third quarter of fiscal 2010 due primarily to a positive currency effect. As a result of the Bioline Group acquisition, our Life Science segment experienced a 47% increase in sales during this period. Excluding the effect of the Bioline Group, sales of our core Life Science operating segment decreased by 12% during the third quarter of fiscal 2011 compared to the third quarter of fiscal 2010, as this business continues to experience both pricing pressure and reduced order volumes in bulk antigens, antibodies and reagents. We expect core Life Science revenues to be flat to down single digits for fiscal 2012 as our large diagnostic manufacturing customers exert pricing pressures throughout their supply chains and certain segments of the diagnostics industry migrate to molecular technologies.

Nine Months Ended June 30, 2011

For the nine month period ended June 30, 2011, net earnings decreased 6% to $20,121, or $0.49 per diluted share, from net earnings for the comparable fiscal 2010 period of $21,325, or $0.52 per diluted share. This decrease reflects the impact of the increase in total sales being more than offset by the increase in operating expenses that resulted primarily from the inclusion of expenses from the Bioline Group, acquired in July 2010, as well as costs related to the reorganization of our European and global sales and marketing leadership during the second quarter of fiscal 2011. Consolidated sales increased 10% to $118,374 for the first nine months of fiscal 2011 compared to the same period of the prior fiscal year. This increase primarily results from the impact of Bioline Group sales and strong growth in foodborne and *H. pylori* product sales being partially offset by a 32% decrease in respiratory product sales and a decline in sales of our core Life Science operating segment.

For the nine month period ended June 30, 2011, the Bioline Group has contributed nearly $11,000 in sales, with a slight operating loss from the effects of selling through acquisition date inventory. The Bioline Group has contributed positive operating income for each of the past two fiscal quarters.

During the first nine months of fiscal 2011, sales for the U.S. Diagnostics operating segment increased 3% from the comparable fiscal 2010 period. This modest increase reflects sales growth in our *C. difficile,* foodborne and *H. pylori* product families being significantly offset by the decrease in respiratory product sales, which resulted from the dramatic impact on the fiscal 2010 first quarter of the novel A (H1N1) influenza outbreak and the abrupt halt of the outbreak in December 2009. Sales of our European Diagnostics operating segment for the first nine months of fiscal 2011 decreased 1% compared to the first nine months of fiscal 2010 largely due to decreased sales in the *C. difficile* and respiratory product families. As a result of the Bioline Group acquisition, our Life Science segment experienced a 50% increase in sales during this period. Excluding the effect of the Bioline Group, sales of our core Life Science operating segment decreased by 10% during the first nine months of fiscal 2011 compared to the first nine months of fiscal 2010, as this business continues to experience both pricing pressure and reduced order volumes in several key

product lines.

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Non-GAAP Information

The tables below provide information on net earnings, basic earnings per share and diluted earnings per share, excluding the effect of costs associated with reorganizing our European and Global Sales & Marketing Leadership, each of which is a non-GAAP financial measure, as well as reconciliations to amounts reported under U.S. Generally Accepted Accounting Principles. We believe that this information is useful to those who read our financial statements and evaluate our operating results because:

1. These measures help to appropriately evaluate and compare the results of operations from period to period by removing the impact of non-routine costs related to reorganizing our European and Global Sales and Marketing Leadership; and

2. These measures are used by our management for various purposes, including evaluating performance against incentive bonus achievement targets, comparing performance from period to period in presentations to our Board of Directors, and as a basis for strategic planning and forecasting.

		Nine Months Ended June 30, 2011
Net Earnings -		
U.S. GAAP basis	$	20,121
European and Global Sales & Marketing Leadership Reorganization costs, inclusive of the income tax effect (1)		872
Adjusted earnings	$	20,993
Net Earnings per Basic Common Share -		
U.S. GAAP basis	$	0.49
European and Global Sales & Marketing Leadership Reorganization costs, inclusive of the income tax effect (1)		0.02
Adjusted Basic EPS (2)	$	0.52
Net Earnings per Diluted Common Share -		
U.S. GAAP basis	$	0.49
European and Global Sales & Marketing Leadership Reorganization costs, inclusive of the income tax effect (1)		0.02
Adjusted Diluted EPS	$	0.51

(1) The income tax effects of the Leadership Reorganization costs totaled $368 and were calculated using the effective tax rates of the jurisdictions in which the costs were incurred.

(2) Net Earnings per Basic Common Share for the nine months ended June 30, 2011 does not sum to the total due to rounding.

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Revenue Overview

Our Diagnostics operating segments provide the largest share of our consolidated revenues, 76% and 81% for the third quarters of fiscal 2011 and 2010, respectively, and 77% and 83% for the first nine months of fiscal 2011 and 2010, respectively. The percentage declines in both the quarterly and fiscal year-to-date periods result primarily from the addition of the Bioline Group to our Life Science operating segment and, in the case of year-to-date comparisons, the impact of the novel A (H1N1) influenza outbreak in 2010. Sales from our four focus families (*C. difficile*, Foodborne, *H. pylori* and Upper Respiratory) comprised 71% and 69% of our Diagnostics operating segments revenues during the third quarters of fiscal 2011 and 2010, respectively, and 71% and 73% for the nine month periods ended June 30, 2011 and 2010, respectively.

Overall revenue change for the fiscal 2011 third quarter for both of our Diagnostics operating segments combined was an increase of 11%, reflecting growth across all four of our focus product families. The levels of growth in the focus products ranged from 7% in our *H. pylori* products, to 28% growth in our foodborne products. On an organic basis, which excludes the effects of currency translation, sales for our European Diagnostics operating segment decreased by 6% during the third quarter, reflecting the combined effects of decreases in our *C. difficile,* upper respiratory and *H. pylori* product families, partially offset by growth in our foodborne product sales.

For the first nine months of fiscal 2011, revenue for both of our Diagnostics operating segments combined increased 2% from the comparable fiscal 2010 period. This slight increase primarily results from sales growth in our *C. difficile, H. pylori* and foodborne product families being significantly offset by the effects on our respiratory product sales of a relatively mild worldwide flu season in the first quarter of fiscal 2011 compared to the fiscal 2010 first quarter, including the dramatic effects on the prior year of the world-wide outbreak of novel A (H1N1) influenza. Excluding the effects of currency translation, our European Diagnostics operating segment s sales during the nine months ended June 30, 2011 decreased 2% relative to the comparable fiscal 2010 period, reflecting the combined effects of decreases in our *C. difficile,* upper respiratory and *H. pylori* product families, partially offset by growth in our foodborne product sales.

C. difficile Products

During the third quarter of fiscal 2010, we launched our ***illumi****gene*® molecular *C. difficile* product in non-U.S. markets, with launch of the product into U.S. markets following in the fourth quarter of fiscal 2010, upon receiving FDA clearance. As a result, we have nearly 500 placements of ***illumi****gene*® units worldwide to date, with approximately 90% installed in the U.S. Of the total units placed worldwide, we estimate that more than 450 will be used for reporting of clinical results, with the balance being used for evaluations and third party studies. At the present time, it takes a customer 90 days, on average, from purchase order placement to begin routine test usage. We are working to reduce that time frame. We expect sales of the product, which totaled approximately $2,800 and $5,600 in the three and nine months ended June 30, 2011, respectively, to continue to grow significantly throughout the balance of fiscal 2011 and during fiscal 2012, although no assurances can be made in this regard.

As a result of competitive pressures in this disease family over the last several years from new competitive products, including molecular assays, in recent previous periods we have experienced extremely slow growth in the sales of our *C. difficile* products. However, due to the introduction of our ***illumi****gene*® molecular *C. difficile* product and its growing market acceptance, we have begun to see a marked improvement over the recent periods. Sales of our *C. difficile* product grew 13% for all of our Diagnostics operating segments during the third quarter of fiscal 2011 and 5% for the first nine months of fiscal 2011.

With the launch of our molecular product and recent FDA clearance and submission activities related to our common antigen *C. difficile* products Premier *C. difficile* GDH received FDA clearance in May, and Immuo*Card C. difficile* GDH was submitted to the FDA in mid-July we believe we are in a unique position to offer a full line of testing solutions to our clinical laboratory customers around the world to counter the competitive pressures surrounding this market. Additionally, we hold the only FDA-approved claim for *C. difficile* testing in the pediatric population. During July, we submitted to the FDA our second molecular test for the ***illumi****gene*® molecular platform, ***illumi****gene*® Group B *Streptococcus* (GBS), and over the next 12 months, we expect two additional tests for the platform tests for Group A *Streptococcus* and *Mycoplasma pneumoniae* to clear formal clinical trials and be submitted to the FDA for marketing clearance.

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Foodborne Products

Increased demand for our foodborne illness testing products throughout the first nine months of fiscal 2011 resulted in our U.S. Diagnostics operating segment experiencing sales increases for these products totaling 26% and 40% for the three and nine month periods ended June 30, 2011, respectively. During these same periods, our European Diagnostics operating segment experienced sales increases of approximately 60% and 43%, respectively, on an organic basis, reflecting the effects of the *Enterohemorrhagic E. coli* (EHEC) infection outbreak in Europe during the quarter.

H. pylori Products

During the third quarter of fiscal 2011, sales of our *H. pylori* products grew 8% for our U.S. Diagnostics operating segment; 14% during the nine month fiscal year-to-date period. This increase continues to reflect the benefits of our partnerships with managed care companies in promoting the health and economic benefits of a test and treat strategy, and the ongoing effects of such strategy moving physician behavior away from serology-based testing toward direct antigen testing. Due to significant competitive pressures related to these products on the international front, sales of *H. pylori* products for our European Diagnostics operating segment declined 7% on an organic basis for the fiscal 2011 third quarter, compared to the third quarter of fiscal 2010, and declined 2% during the year-over-year nine month periods ended June 30.

Upper Respiratory Products

During the three and nine month periods ended June 30, 2011, upper respiratory product sales for our Diagnostics operating segments increased 8% and decreased 32%, respectively, relative to the comparable fiscal 2010 periods. The sales decrease in the comparable year-to-date periods is a direct result of influenza test kit sales; in particular the abrupt halt, in December 2009, of the outbreak of the novel A (H1N1) influenza virus that began to spread across the northern hemisphere during the second half of fiscal 2009. The outbreak also created an increased interest in influenza testing in European markets where rapid testing has not been traditionally performed and resulted in significant sales activity for these products during the fiscal 2010 first quarter. However, similar to U.S. markets, these sales levels were not repeated in fiscal 2011, as evidenced by the approximate 13% decline in this operating segment s upper respiratory product sales on an organic basis (excluding effects of currency translation) compared to the first nine months of fiscal 2010.

Group Purchasing Organizations

In our U.S. Diagnostics operating segment, consolidation of the U.S. healthcare industry over the last several years has led to the creation of group purchasing organizations (GPOs) that aggregate buying power for hospital groups and put pressure on our selling prices. We have multi-year supply agreements with several GPOs. During the third quarter and first nine months of fiscal 2011, we have experienced approximately $200 and $1,000, respectively, in unfavorable price variance, as a result of these agreements. However, these agreements help secure our products with these customers and have led to new business. While in the near term this has negatively impacted gross profit, further increases in volumes are expected from these contracts.

Foreign Currency

Sales for our European Diagnostics operating segment included the effect of more favorable currency rates, which led to currency translation gains in the amount of approximately $650 for the third quarter of fiscal 2011, compared to $350 of currency translation losses in the fiscal 2010 third quarter. During the first nine months of fiscal 2011, translation gains of approximately $165 were experienced, compared to $550 of currency translation gains during the comparable prior year period.

Life Science Operating Segment

Sales for our Life Science operating segment increased 47% for the third quarter of fiscal 2011 and 50% for the nine month fiscal year-to-date period, due primarily to the revenue contribution of the Bioline Group acquired in July 2010. Excluding the impact of the Bioline Group, sales for the operating segment declined 12% and 10% during the three and nine month periods, respectively, as this business continues to experience both pricing pressure and reduced order volumes in several key product lines. For fiscal 2011, we expect revenues for our core Life Science business to decline 6%-8%, while the Bioline Group is expected to contribute approximately $15,000.

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Significant Customers

Two national distributors in our U.S. Diagnostics operating segment accounted for 47% and 52% of total sales for this operating segment for the third quarters of fiscal 2011 and 2010, respectively, and 50% and 58% during the nine months ended June 30, 2011 and 2010, respectively. The lower percentage of sales reflects the fact that the majority of our ***illumi****gene*® product sales are direct, as well as the comparative decline in these distributors inventory stocking of influenza and other products.

Three diagnostic manufacturing customers in our Life Science operating segment accounted for 17% and 29% of total sales for this operating segment for the third quarters of fiscal 2011 and 2010, respectively, and 18% and 33% during the nine months ended June 30, 2011 and 2010, respectively. The lower percentage of sales during both periods results primarily from the addition of the Bioline Group.

Operating Segment Revenues

Our reportable operating segments are U.S. Diagnostics, European Diagnostics and Life Science. The U.S. Diagnostics operating segment consists of manufacturing operations in Cincinnati, Ohio, and the sale and distribution of diagnostic test kits in the U.S. and countries outside of Europe, Africa and the Middle East. The European Diagnostics operating segment consists of the sale and distribution of diagnostic test kits in Europe, Africa and the Middle East. The Life Science operating segment consists of manufacturing operations in Memphis, Tennessee; Saco, Maine; Boca Raton, Florida; London, England; Luckenwalde, Germany; and Sydney, Australia and the sale and distribution of bulk antigens, antibodies, PCR/qPCR reagents, nucleotides, competent cells and bioresearch reagents domestically and abroad. The Life Science operating segment also includes the contract development and manufacture of proteins and other biologicals for use by biopharmaceutical and biotechnology companies engaged in research for new drugs and vaccines.

Revenues for the Diagnostics operating segments, in the normal course of business, may be affected from quarter to quarter by buying patterns of major distributors, seasonality and strength of certain diseases and foreign currency exchange rates. Revenues for the Life Science operating segment, in the normal course of business, may be affected from quarter to quarter by the timing and nature of arrangements for contract services work, which may have longer production cycles than bioresearch reagents and bulk antigens and antibodies, as well as buying patterns of major customers. We believe that the overall breadth of our product lines serves to reduce the variability in consolidated revenues.

The Company has experienced no material adverse impact on revenue as a result of the disaster in Japan earlier this year, nor is any material adverse impact anticipated at this time, although no assurances can be given with regard to material adverse impacts that may arise in the future despite being unanticipated as of the date of this report. In addition, the Company s supply of product and product components has not been and is not expected to be adversely impacted by the disaster.

Revenues for each of our operating segments are shown below.

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2011	2010	Inc (Dec)	2011	2010	Inc (Dec)
U.S. Diagnostics	$ 23,829	$ 21,121	13%	$ 72,007	$ 70,018	3%
European Diagnostics	6,612	6,218	6%	18,926	19,103	(1)%
Life Science	9,611	6,518	47%	27,441	18,340	50%
Consolidated	$ 40,052	$ 33,857	18%	$ 118,374	$ 107,461	10%
International -						
U.S. Diagnostics	$ 1,845	$ 1,401	32%	$ 5,058	$ 4,378	16%
European Diagnostics	6,612	6,218	6%	18,926	19,103	(1)%
Life Science	5,365	3,085	74%	15,238	8,337	83%

Total	$ 13,822	$ 10,704	29%	$ 39,222	$ 31,818	23%
% of total sales	35%	32%		33%	30%	

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Gross Profit

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Gross Profit	$ 25,426	$ 21,736	17%	$ 75,328	$ 67,388	12%
Gross Profit Margin	63%	64%	-1 point	64%	63%	+1 point

Gross profit margin improvement for the first nine months of fiscal 2011 results primarily from the combined effects of 1) the margin contribution of Bioline Group products in fiscal 2011; 2) continued operating efficiencies in our Cincinnati, Ohio diagnostic test manufacturing facility; and 3) the year-over-year decline in upper respiratory product sales. Our upper respiratory product family generally has a lower gross profit margin than our other focus product families (*C. difficile*, *H. pylori* and foodborne). Sales of upper respiratory products during the first nine months of fiscal 2011 were approximately 11% of our consolidated sales, compared to 18% of consolidated sales for the comparable fiscal 2010 period. Specifically, sales of the Company s influenza products represented approximately 2% of consolidated sales during the nine months ended June 30, 2011, compared to approximately 8% in the first nine months of fiscal 2010.

Our overall operations consist of the sale of diagnostic test kits for various disease states and in alternative test formats, as well as bioresearch reagents, bulk antigens, antibodies, PCR/qPCR reagents, nucleotides, competent cells, proficiency panels, contract research and development, and contract manufacturing services. Product sales mix shifts, in the normal course of business, can cause the consolidated gross profit margin to fluctuate by several points.

Operating Expenses

	Three Months Ended June 30, 2011				
	Research & Development	Selling & Marketing	General & Administrative	Other (1)	Total Operating Expenses
2010 Expenses	$ 2,128	$ 4,287	$ 4,872	$ 673	$ 11,960
% of Sales	6%	13%	14%	2%	35%
Fiscal 2011 Increases (Decreases):					
U.S. Diagnostics	521	754	(15)		1,260
European Diagnostics		87	(27)		60
Life Science					
- Bioline Group	173	1,037	1,817		3,027
- Core	(112)	(22)	(205)		(339)
- Transaction Costs				(673)	(673)
2011 Expenses	$ 2,710	$ 6,143	$ 6,442	$	$ 15,295
% of Sales	7%	15%	16%	%	38%
% Increase (Decrease)	27%	43%	32%	(100)%	28%

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Operating Expenses

	Nine Months Ended June 30, 2011				
	Research & Development	Selling & Marketing	General & Administrative	Other (1)	Total Operating Expenses
2010 Expenses	$ 6,521	$ 13,495	$ 14,042	$ 673	$ 34,731
% of Sales	6%	13%	13%	1%	32%
Fiscal 2011 Increases (Decreases):					
U.S. Diagnostics	343	1,612	326	365	2,646
European Diagnostics		20	(115)	875	780
Life Science					
- Bioline Group	527	2,772	4,484		7,783
- Core	(8)	(52)	(62)		(122)
- Transaction Costs				(673)	(673)
2011 Expenses	$ 7,383	$ 17,847	$ 18,675	$ 1,240	$ 45,145
% of Sales	6%	15%	16%	1%	38%
% Increase	13%	32%	33%	84%	30%

(1) Comprised of transaction costs for our acquisition of the Bioline Group (2010) and costs related to reorganizing our European and Global Sales & Marketing Leadership (2011).

We continue to closely control spending for each of our operating segments.

The quarterly and year-to-date increases in all three ongoing operating expense categories (i.e., Research & Development, Selling & Marketing, and General & Administrative) of approximately $4,000 and $9,800, respectively, result in large part from the addition of the Bioline Group s operating expenses. Additionally, operating expenses for the U.S. Diagnostics operating segment reflect the effects of the following:

Research & Development

Increased personnel-related costs of approximately $200 and $300 for the quarterly and nine month year-to-date periods, respectively, in line with the overall increase in spending on new product development.

Selling & Marketing

1) Increased sales bonus and commissions expense of approximately $300 and $600 for the quarterly and nine month year-to-date periods, respectively, due to the ***illumi****gene*® launch and sales growth;

2) Increased samples and promotional expense of approximately $300 for the nine month year-to-date period, resulting in large part from efforts during the second quarter to move flu inventory manufactured by third parties prior to its expiration; and

3) Increased travel and trade show expenses during the quarterly and nine month year-to-date periods of approximately $345 and $640, respectively, due in large part to the ***illumi****gene*® launch costs.

General & Administrative

The positive effects of overall cost containment and reduction efforts being dramatically impacted by approximately $850 of stock-based compensation expense during the nine month year-to-date period approximately $400 of which related to restricted stock grants during the fiscal 2011 first quarter, and an approximate $450 impact on the fiscal 2011 third quarter related to retirement eligible employees.

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During the second quarter of fiscal 2011, the Company incurred approximately $1,240 of costs in connection with the reorganization of our European and Global Sales and Marketing Leadership. Approximately 75% of these costs related to severance benefits for the former President and Managing Director of our European diagnostics business, with no further such costs anticipated at this time.

Operating Income

Operating income increased 4% to $10,131 for the third quarter of fiscal 2011, and decreased 8% to $30,183 for the first nine months of fiscal 2011, as a result of the factors discussed above.

Other Income and Expense

The increase in other income, net, during the nine month year-to-date period can primarily be attributed to the addition of the Bioline Group, as it contributed to an improvement in net currency exchange gains/losses of approximately $100 and grant income from a foreign governmental agency of approximately $200.

Income Taxes

The effective rate for income taxes was 33% for the third quarter and 34% for the first nine months of fiscal 2011, each of which is one percentage point lower than the corresponding periods of fiscal 2010. This decrease in rates primarily results from the fiscal 2011 third quarter release of reserves for certain uncertain tax positions due to the passage of the relevant statute of limitations. For the fiscal year ending September 30, 2011, we expect the effective tax rate to approximate 35%.

Liquidity and Capital Resources

Comparative Cash Flow Analysis

Our cash flow and financing requirements are determined by analyses of operating and capital spending budgets, consideration of acquisition plans, and consideration of common share dividends. We have historically maintained a credit facility to augment working capital requirements and to respond quickly to acquisition opportunities. Our investment portfolio presently contains overnight repurchase agreements. We used $23,849 from our investment portfolio to complete the acquisition of the Bioline Group during July 2010.

We have an investment policy that guides the holdings of our investment portfolio. Our objectives in managing the investment portfolio are to (i) preserve capital; (ii) provide sufficient liquidity to meet working capital requirements and fund strategic objectives such as acquisitions; and (iii) capture a market rate of return commensurate with market conditions and our policy s investment eligibility criteria. As we look forward, we will continue to manage the holdings of our investment portfolio with preservation of capital being the primary objective.

Except as otherwise described herein, we do not expect current conditions in the financial markets, or overall economic conditions to have a significant impact on our liquidity needs, financial condition, or results of operations. We intend to continue to fund our working capital requirements and dividends from current cash flows from operating activities and cash on hand. We also have an additional source of liquidity through our $30,000 bank credit facility, if needed.

Net cash provided by operating activities decreased 30% for the first nine months of fiscal 2011 to $16,618, reflecting the 6% decrease in net earnings and the effects of net working capital changes related to our investments in ***illumi****gene*® inventory, including readers, fluctuations in sales levels, and the timing of payments with suppliers. Net cash flows from operating activities and cash on hand are anticipated to be adequate to fund working capital requirements and dividends during the next 12 months. During the last six fiscal quarters, the per share amount of our cash dividend has exceeded the per share amount of our diluted earnings. As we enter fiscal 2012, management expects that this relationship will change; meaning the per share amount of our diluted earnings will exceed the per share amount of our current cash dividend, although no assurances can be made in this regard.

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Capital Resources

We have a $30,000 credit facility with a commercial bank which expires on September 15, 2012. As of July 31, 2011, there were no borrowings outstanding on this facility and we had 100% borrowing capacity available to us. We have had no borrowings outstanding under this facility during the first nine months of fiscal 2011, or during the full year of fiscal 2010.

Our capital expenditures for the balance of fiscal 2011 are estimated to be approximately $1,700. Such expenditures may be funded with cash and cash equivalents on hand, operating cash flows, and/or availability under the $30,000 credit facility discussed above. Capital expenditures relate to manufacturing and other equipment of a normal and recurring nature, as well as costs associated with production line automation in Cincinnati, facilities expansions in Cincinnati and Memphis, and computer system and software purchases for the Bioline Group. We also expect to have approximately $1,700 in expenditures for readers to support the ongoing ***illumi****gene*® product launch.

We do not utilize any special-purpose financing vehicles or have any undisclosed off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company s exposure to market risk since September 30, 2010.

ITEM 4. CONTROLS AND PROCEDURES

As of June 30, 2011, an evaluation was completed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) and 15d-15(b) promulgated under the Securities Exchange Act of 1934, as amended. Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of June 30, 2011. There have been no changes in our internal control over financial reporting identified in connection with the evaluation of internal control that occurred during the third fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, or in other factors that could materially affect internal control subsequent to June 30, 2011.

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PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

There have been no material changes from risk factors as previously disclosed in the Registrant s Form 10-K in response to Item 1A to Part I of Form 10-K.

ITEM 6. EXHIBITS

10.4* Salary Continuation Agreement between Meridian Bioscience, Inc. and John A. Kraeutler, as amended April 24, 2001, December 29, 2008 and August 3, 2011 (Filed herewith)

31.1 Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a) (Filed herewith)

31.2 Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a) (Filed herewith)

32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith)

* Management Compensatory Arrangement

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERIDIAN BIOSCIENCE, INC.

Date: August 9, 2011

/s/ Melissa A. Lueke
Melissa A. Lueke
Executive Vice President and
Chief Financial Officer