UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

FORM 10-Q

(Mark one)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2000

OR

[ ] 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 0-23125

OSI SYSTEMS, INC.
(Exact name of Registrant as specified in its charter)

California	33-0238801
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

12525 Chadron Avenue
Hawthorne, California 90250
(Address of principal executive offices)

Registrant's telephone number, including area code: (310) 978-0516

Indicate by 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 as the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days.

YES X   N0

As of May 10, 2000 there were 9,342,998 shares of common stock outstanding.

OSI SYSTEMS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

OSI SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	March 31, 2000	June 30, 1999
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 6,741	$ 7,241
Marketable securities available for sale		1,708
Accounts receivable, net of allowance for doubtful accounts of $1,103 and $860 at March 31, 2000 and June 30, 1999, respectively	35,525	29,330
Other receivables	1,983	1,862
Inventory	28,473	24,481
Prepaid expenses	1,451	1,018
Deferred income taxes	1,177	1,108
Income taxes receivable	1,797	1,853
Total current assets	77,147	68,601
Property and Equipment, Net	14,626	14,486
Intangible and Other Assets, Net	10,035	8,581
Deferred income taxes	1,703	1,703
Total	$103,511	$93,371
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank lines of credit	$ 4,094	8,678
Current portion of long-term debt	2,768	292
Accounts payable	13,108	9,145
Accrued payroll and related expenses	2,601	2,399
Income taxes payable	1,607	717
Advances from customers	827	996
Accrued warranties	1,872	1,984
Other accrued expenses and current liabilities	4,028	2,922
Total current liabilities	30,905	27,133
Long-Term Debt	8,347	117
Deferred Income Taxes	311	339
Minority interest	307	
Total liabilities	39,870	27,589
Shareholders' Equity		
Preferred stock, no par value; authorized, 10,000,000 shares; none issued and outstanding at March 31, 2000 and June 30, 1999, respectively		
Common stock, no par value; authorized, 40,000,000 shares; issued and outstanding 9,831,998 and 9,732,415 shares at March 31, 2000 and June 30, 1999, respectively	49,572	49,230
Treasury stock, at cost	(2,258)	(438)
Retained earnings	17,775	18,160
Accumulated other comprehensive loss	(1,448)	(1,170)
Total shareholders' equity	63,641	65,782
Total	$103,511	$93,371

See accompanying notes to consolidated financial statements

OSI SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Three months ended March 31,		Nine months ended March 31,	
	2000	1999	2000	1999
Revenues	$ 31,776	$ 24,606	$ 83,238	$ 70,857
Cost of goods sold	23,427	17,099	60,627	49,511
Gross profit	8,349	7,507	22,611	21,346
Operating expenses:				
Selling, general and administrative	4,928	5,104	15,166	11,853
Research and development	2,091	1,537	5,600	4,120
Goodwill amortization	134	203	398	391
Restrcuturing costs		458	1,898	458
In process research and development				2,579
Total operating expenses	7,153	7,302	23,062	19,401
Income (loss) from operations	1,196	205	(451)	1,945
Interest expense (income), net	201	125	500	(125)
Gain on sale of marketable securities			(309)	
Income (loss) before provision for income taxes and minority interest	995	80	(642)	2,070
Provision (benefit) for income taxes	284	(300)	(29)	633
Income (loss) before minority interest in net loss of subsidiary	711	380	(613)	1,437
Minority interest in net loss of subsidiary	130		228	
Net income (loss)	$ 841	$ 380	($385)	$ 1,437
Earnings (loss) per common share	$0.09	$0.04	($0.04)	$0.15
Earnings (loss) per common share,assuming dilution	$0.09	$0.04	($0.04)	$0.15
Weighted average shares outstanding, assuming dilution	9,614,631	9,844,207	9,384,155	9,850,376

See accompanying notes to consolidated financial statements

OSI SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine months ended March 31, 2000	1999
Cash flows from operating activities:		
Net (loss) income	$ (385)	$ 1,437
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Provision for losses on accounts receivable		73
Depreciation and amortization	3,110	2,533
Charge for in-process research and development		2,579
Loss on sale of property and equipment	15	
Deferred income taxes	(17)	
Gain on sale of marketable securities available for sale	(309)	
Changes in operating assets and liabilities:		
Accounts receivable	(6,862)	(73)
Other receivables	174	(764)
Inventory	(4,688)	(2,413)
Prepaid expenses	(467)	(713)
Accounts payable	4,152	(205)
Accrued payroll and related expenses	327	(1,023)
Income taxes payable	926	(1,042)
Increase in prepaid income taxes receivable	125	
Advances from customers	(166)	(401)
Accrued warranty	(108)	(375)
Other accrued expenses and current liabilities	1,019	(50)
Net cash used in operating activities	(3,154)	(437)
Cash flows from investing activities:		
Additions to property and equipment	(2,350)	(3,676)
Proceeds from sale of property and equipment	6	
Proceeds from sale of (addition to) marketable securities available for sale	2,505	(2,193)
Decrease in equity investments	93	
Cash paid for business acquisitions, net of cash acquired	(1,325)	(17,397)
Other assets	(28)	(513)
Net cash used in investing activities	(1,099)	(23,779)
Cash flows from financing activities:		
Increase in minority interest	(228)	
Net (payment to) proceeds from bank of lines of credit	(4,567)	8,661
Net proceeds (payments) on long-term debt	10,015	(660)
Proceeds from exercise of stock options and warrants	342	78
Treasury stock	(1,820)	
Net cash provided by financing activities	3,742	8,079
Effect of exchange rate changes on cash	11	305
Net decrease in cash and cash equivalents	(500)	(15,832)
Cash and cash equivalents, beginning of period	7,241	22,447
Cash and cash equivalents, end of period	$ 6,741	$ 6,615
Supplemental disclosures of cash flow information - Cash paid/(received) during the period for:		
Interest	$ 467	$ (90)
Income taxes	$ (943)	$ 1,674

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General. OSI Systems, Inc. and its subsidiaries (collectively, the "Company") is a vertically integrated worldwide provider of devices, subsystems and end-products based on optoelectronic and silicon pressure-sensor micro-structure technology. The Company designs and manufactures optoelectronic and silicon pressure-sensor devices and value-added subsystems for original equipment manufacturers in a broad range of applications, including security, medical diagnostics, telecommunications gigabit ethernet and fibre channel systems, gaming, office automation, aerospace, computer peripherals and industrial automation. In addition, the Company utilizes its optoelectronic technology and design capabilities to manufacture security and inspection products that it markets worldwide to end users under the "Rapiscan", "Secure" and "Metor" brand names. These products are used to inspect people, baggage, cargo and other objects for weapons, explosives, drugs and other contraband. The Company also manufactures and sells bone densitometers, which are used to provide bone loss measurements in the treatment and diagnosis of osteoporosis.

Consolidation. The consolidated financial statements include the accounts of OSI Systems, Inc. and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The consolidated balance sheet as of March 31, 2000, the consolidated statements of operations for the three-month and nine-month periods ended March 31, 2000 and 1999 and the consolidated statements of cash flows for the nine month periods ended March 31, 2000 and 1999 have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "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. However, in the opinion of management all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of the financial position and the results of operations for the periods presented have been included. These consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements and accompanying notes for the fiscal year ended June 30, 1999 included in the Company's Annual Report on Form 10K as filed with the Commission on September 28, 1999. The results of operations for the nine months ended March 31, 2000 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2000.

Recent Developments. Pursuant to an agreement entered into as of October 4, 1999, (the "TFT Agreement") the Company acquired an additional equity interest, representing approximately 15.3% of the stock ownership of TFT Medical, Inc. ("TFT") for $1.2 million, including professional fees associated with the acquisition. With this additional equity investment, the Company has increased its equity share in TFT to approximately 55.6% and changed the accounting from the equity method to the purchase method of accounting. The excess of the purchase price over the fair value of the net assets acquired is being amortized over a period of twenty years.

On April 12, 2000, also pursuant to the TFT Agreement and in connection with certain amounts loaned or to be loaned by the Company to TFT thereunder, the Company also acquired five-year warrants (subject to earlier termination upon the occurrence of certain events) to acquire up to 1,110,000 additional TFT shares at a purchase price of $1.35 per share. The warrants are first exercisable commencing on April 12, 2001; and, if fully exercised, would result in the Company's share in TFT being increased to approximately 62.9%.

In July 1999, the Company paid 4.4 million Finnish markka (approximately $767,000 on July 31, 1999), in lieu of a contingent payment, based on future sales of up to $1.5 million for the acquisition of Metorex Security. The payment was recorded as goodwill.

Foreign Exchange Investments. The Company's use of derivatives is limited to the purchase of foreign exchange contracts in order to minimize foreign exchange transaction gains and losses. The Company purchases forward contracts to hedge commitments to acquire inventory for sale and does not use the contracts for trading purposes. Realized gains and losses on these contracts are recognized in the same period as the hedged transactions. The forward exchange contracts related to inventory purchases are recognized as adjustments to the basis of the underlying assets. As of March 31, 2000 and June 30, 1999, there was approximately $1.7 million and $200,000, respectively, in outstanding foreign exchange contracts. At March 31, 2000 and June 30, 1999, there were no carrying amounts related to foreign currency contracts on the consolidated balance sheets. The fair values of foreign exchange contracts are estimated by obtaining quotes from brokers. At March 31, 2000 and June 30, 1999, the carrying amount and fair value of these contracts were not material to the consolidated financial statements.

Inventory. Inventory is stated at the lower of cost or market; cost is determined on the first-in, first-out method. Inventory at March 31, 2000 and June 30, 1999 consisted of the following (in thousands):

	March 31, 2000	June 30, 1999
Raw Materials	$15,574	$11,963
Work-in-process	6,962	8,000
Finished goods	5,937	4,518
Total	$28,473	$24,481

Earnings Per Share. Earnings per common share is computed using the weighted average number of shares outstanding during the period. Earnings per common share-assuming dilution, is computed using the weighted average number of shares outstanding during the period and dilutive common stock equivalents from the Company's stock option plans.

The following table reconciles the numerator and denominator used in calculating earnings per common share and earnings per common share-assuming dilution.

	For the quarter ended March 31,					
	2000			1999		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Earnings per common share Income available to common stockholders	$841,000	9,310,074	$0.09	$380,000	9,718,125	$0.04
Effect of Dilutive Securities Options, treasury stock method		304,557			126,082	
Earnings per common share assuming dilution Income available to common stockholder, assuming dilution	$841,000	9,614,631	$0.09	$380,000	$9,844,207	$0.04

	For the nine months ended March 31,					
	2000			1999		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Earnings per common share Income available to common stockholders	($385,000)	9,384,155	($0.04)	$1,437,000	9,707,943	$0.15
Effect of Dilutive Securities Options, treasury stock method					142,433	
Earnings per common share assuming dilution Income available to common stockholder, assuming dilution	($385,000)	9,384,155	($0.04)	$1,437,000	9,850,376	$0.15

Comprehensive Income - In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 130 "Reporting for Comprehensive Income" (SFAS No. 130), which the Company adopted in the first quarter of fiscal 1999. SFAS No.130 establishes standards for reporting and displaying comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income is computed as follows (in thousands):

	For the quarter ended March 31,		For the nine months ended March 31,	
	2000	1999	2000	1999
Net income	$ 841	$ 380	($385)	$1,437
Other comprehensive income, net of taxes:				
Foreign currency translation adjustments	(827)	(166)	(764)	247
Unrealized gains on marketable securities available for sale		(196)	486	(196)
Other comprehensive income	(827)	(362)	(278)	51
Comprehensive income	$ 14	$ 18	($663)	$1,488

Segment Information. The company's operating locations include North America (United States and Canada), Europe (United Kingdom, Denmark, Finland and Norway) and Asia (Singapore and Malaysia). The company's operations by geographical areas are as follows (in thousands):

	Three months ended March, 2000				
	North America	Europe	Asia	Eliminations	Consolidated
Revenues	$16,224	$12,934	$ 2,618		$31,776
Transfer between geographical areas	$ 1,600	$ 1,511	$ 5,972	$ (9,083)	
Net revenues	$17,824	$14,445	$ 8,590	$ (9,083)	$31,776
Operating income (loss)	$ (381)	$ (513)	$ 2,158	$ (68)	$ 1,196

	Nine months ended March, 2000				
	North America	Europe	Asia	Eliminations	Consolidated
Revenues	$46,506	$30,167	$ 6,565		$83,238
Transfer between geographical areas	$ 5,803	$ 3,680	$16,618	$(26,101)	
Net revenues	$52,309	$33,847	$23,183	$(26,101)	$83,238
Operating income (loss)	$(2,523)	$(1,944)	$ 4,866	$ (850)	$ (451)

	Three months ended March, 1999				
	North America	Europe	Asia	Eliminations	Consolidated
Revenues	$14,655	$ 8,787	$ 1,164		$24,606
Transfer between geographical areas	$ 3,888	$ 438	$ 3,342	$ (7,668)	
Net revenues	$18,543	$ 9,225	$ 4,506	$ (7,668)	$24,606
Operating income (loss)	$ 352	$ (153)	$ 882	$ (876)	$ 205

	Nine months ended March, 1999				
	North America	Europe	Asia	Eliminations	Consolidated
Revenues	$44,051	$23,153	$ 3,653		$70,857
Transfer between geographical areas	$ 6,279	$ 1,980	$ 8,953	$(17,212)	
Net revenues	$50,330	$25,133	$12,606	$(17,212)	$70,857
Operating income (loss)	$ 2,835	$(2,585)	$ 2,682	$ (987)	$ 1,945

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Statements in this report that are forward-looking are based on current expectations, and actual results may differ materially. Forward-looking statements involve numerous risks and uncertainties that could cause actual results to differ materially, including, but not limited to, the possibilities that the demand for the Company's products may decline as a result of possible changes in general and industry specific economic conditions and the effects of competitive pricing and such other risks and uncertainties as are described in this report on Form 10-Q and other documents previously filed or hereafter filed by the Company from time to time with the Securities and Exchange Commission.

Results of Operations

Revenues. Revenues consist of sales of optoelectronic and pressure sensor devices, medical imaging systems and security and inspection products. Revenues are recorded net of all inter-company transactions. Revenues increased by 29.1% to $31.8 million for the three months ended March 31, 2000, compared to $24.6 million for the comparable prior year period. For the nine months ended March 31, 2000, revenues increased by 17.5% to $83.2 million from $70.6 million in the comparable prior year period. Revenues for the three months ended March 31, 2000 from optoelectronic devices, subsystems and medical imaging systems were $17.9 million, or approximately 56.4% of the Company's revenues, and revenues from security and inspection products were $13.9 million, or approximately 43.6% of the Company's revenues. Revenues for the nine months ended March 31, 2000 from optoelectronic devices, subsystems and medical imaging systems were $46.7 million, or approximately 56.1% of the Company's revenues, and revenues from security and inspection products were $36.5 million, or approximately 43.9% of the Company's revenues. The increase in revenues from sales of optoelectronic devices, subsystems and medical imaging systems for the quarter and nine months ended March 31, 2000 was primarily due to increased sales of silicon pressure sensors through the recent acquisition of Silicon Microstructures, Inc ("SMI") and sales through the introduction of new product for the data/video projection market and was partially offset by a decrease in sales to the oil exploration industry. The increase in revenues from the sales of security and inspection products for the quarter and nine months ended March 31, 2000 was primarily due to increased sales of people scanners and increased international sales of X-ray machines. In addition, the increase in sales of security and inspection products for the nine months ended March 31, 2000, was due to sales of walk-through metal detection systems through the recent acquisition of the security product business of Metorex International Oy ("Metorex Security").

Gross Profit. Cost of goods sold consists of material, labor and manufacturing overhead. Gross profit increased by 11.2% to $8.3 million for the three months ended March 31, 2000, compared to $7.5 million for the comparable prior year period. For the nine months ended March 31, 2000, gross profit increased by 5.9% to $22.6 million, compared to

$21.3 million for the comparable prior year period. As a percentage of revenues, gross profit decreased in the quarter and nine months to 26.3% and 27.2% this year, from 30.5% and 30.1% last year, respectively. The decrease in gross profit was due to product mix, manufacturing inefficiencies due to acquisitions and introduction of a new product line for the sale of data/video projectors, which has a lower gross margin notwithstanding insignificant selling, general and administrative expenses and research and development expenses associated with it.

Selling, General and Administrative. Selling, general and administrative expenses consisted primarily of compensation paid to sales, marketing and administrative personnel, and professional service fees and marketing expenses. For the three months ended March 31, 2000, such expenses decreased 3.4% to $4.9 million, compared to $5.1 million for the comparable prior year period. For the nine months ended March 31, 2000, such expenses increased by 28.0% to $15.2 million, compared to $11.9 million for the comparable prior year period. As a percentage of revenues, selling, general and administrative expenses decreased in the quarter to 15.5% this year, from 20.7% last year and increased in the nine months to 18.2% this year, from 16.7% last year. The decrease in expenses for the three months ended March 31, 2000 was due to the closure of the Company's Denmark facility and proceeds from the settlement of certain litigation and was offset in part by increased administrative expenses and increased marketing expenses for the sales of medical products. The increase in expenses for the nine months ended March 31, 2000 was due to the increase in provision for doubtful receivables, increased administrative expenses, increased marketing expenses for the sales of medical products and inclusion of entire nine months selling, general and administrative expenses of recent acquisitions. Selling, general and administrative expenses for the nine months ended March 31, 1999 was offset in part by pay cuts taken by senior management.

Research and Development. Research and development expenses include research related to new product development and product enhancement expenditures. For the three months ended March 31, 2000, such expenses increased 36.0% to $2.1 million, compared to $1.5 million for the comparable prior year period. For the nine months ended March 31, 2000, such expenses increased 35.9% to $5.6 million, compared to $4.1 million for the comparable prior year period. As a percentage of revenues, research and development expenses increased in the three month and six month periods to 6.6% and 6.7% this year from 6.2% and 5.8% last year, respectively. The increase in expenses for the quarter and nine months was due primarily to the increase in personnel costs resulting from the Company's recently acquired subsidiaries, and continued enhancement of Rapiscan x-ray systems. For the three and nine months ended March 31, 2000, the Company's majority owned subsidiary, TFT, incurred $201,000 and $373,000, respectively, for the development of medical products and had no revenues in either period. In addition, the entire nine month's research and development costs of acquired companies were included in the nine months ended March 31, 2000.

Goodwill Amortization. Amortization of goodwill decreased to $134,000 for the three months ended March 31, 2000 from $203,000 for the three months ended March 31, 1999. Amortization of goodwill increased to $398,000 in the nine months ended March 31, 2000 from $391,000 in the nine months ended March 31, 1999. The decrease in amortization of goodwill in the three months ended March 31, 2000 was the net result of a one time write-off of goodwill due to the closure of the Company's Denmark facility and partially offset by the inclusion of goodwill associated with the acquisition of TFT and an additional payment associated with the acquisition of Metorex Security. The increase in amortization of goodwill for the nine month's ended March 31, 2000 was due to amortization of goodwill associated with the Company's recently acquired subsidiaries.

Restructuring Costs. In August 1999, the Company decided to close the operations of Osteometer in Denmark, and relocate certain of these operations to the Company's U.S. facilities. In the quarter ended September 30, 1999, the Company recorded estimated restructuring costs of $1.9 million related to the closure of the Osteometer facility in Denmark. These costs were associated primarily with the termination of certain employees, commitments and other facility closure costs. During the quarter ended March 31, 2000, the Company completed the closure of the Osteometer facility in Denmark. Of that amount, $1.8 million was paid during the nine months ended March 31, 2000 and $63,000 was included in the other accrued expenses and current liabilities at March 31, 2000. Based on current estimates, the Company anticipates that the current restructuring accruals are sufficient. During the quarter ended March 31, 1999, the Company incurred non-recurring restructuring costs of $458,000 to consolidate certain subsidiaries.

Income (Loss) from Operations. For the three months ended March 31, 2000, the Company had income from operations of $1.2 million compared to $205,000 for the three months ended March 31, 1999. Loss from operations for the nine months ended March 31, 2000 was $451,000, compared to income from operations of $1.9 million for the comparable prior year period. Excluding the non-recurring restructuring costs of $1.9 million in the quarter ended September 30, 1999 and $458,000 in the quarter ended March 31, 1999 and a non-recurring in-process research and development charge of $2.6 million in the quarter ended December 31, 1998, income from operations for three months ended March 31, 2000 increased to $1.2 million compared to $663,000 for the comparable prior year period and for the nine months ended March 31, 2000 decreased to $1.4 million compared to $5.0 million for the comparable prior year period. As a percentage of revenues, income from operations for the three months increased in the three months to 3.8% this year, from 2.7% last year and for the nine months decreased to 1.7% this year, from 7.0% last year. Income from operations for the quarter increased due to increased sales and decreased selling, general and administrative expenses and was offset in part by product mix and increased research and development expenses. Income from operations for the nine months decreased due to product mix, increased selling, general and administrative expenses and increased research and development expenses and was offset in part by increased sales.

Interest Expense (Income). For the three months ended March 31, 2000, the Company incurred net interest expense of $201,000, compared to $125,000 for the three months ended March 31, 1999. For the nine months ended March 31, 2000, the Company incurred net interest expense of $500,000, compared to net interest income of $125,000 for the nine months ended March 31, 1999. The net interest expense for the three and nine months ended March 31, 2000 was due to increased borrowing on the Company's lines of credit and a reduction in short term investments used for working capital and acquisitions.

Gain on Marketable Securities. Gain on marketable securities for the nine months ended March 31, 2000, consisted of realized gain on the sale of marketable securities available for sale.

Provision (Benefit) for Income Taxes. For the three months ended March 31, 2000, the Company had a provision for income taxes of $284,000 compared to an income tax benefit of $300,000 for the three months ended March 31, 1999. For the nine months ended March 31, 2000, the Company had an income tax benefit of $29,000 compared to a provision for income taxes of $633,000 for the nine months ended March 31, 1999. Excluding a majority owned subsidiary loss of $294,000 and $514,000 for the three and nine months ended March 31, 2000, respectively, as a percentage of income before provision for income taxes, provision for income taxes was 22.0% for the three months ended March 31, 2000 as a percentage of loss before benefit for income taxes, and the benefit for income taxes was 22.7% for the nine months ended March 31, 2000. Excluding the non-recurring, restructuring costs and in-process research and development charges, as a percentage of income before provision of income taxes, provision for income taxes was 12.4% and 26.6% for the three and nine months ended March 31, 1999, respectively. The change in the Company's effective tax rate was due to a mix in income from U.S. and foreign operations.

Net Income (Loss). For the reasons outlined above, the Company had a net income of $841,000 and net loss of $385,000 for the three and nine months ended March 31, 2000, compared to a net income of $380,000 and $1.4 million for the three and nine months ended March 31, 1999, respectively. The nine months ended March 31, 2000 included non-recurring restructuring costs of $1.9 million ($1.5 million net of income taxes), the three and nine months ended March 31, 1999 included non-recurring restructuring costs of $458,000 ($391,000 net of taxes) and the nine months ended March 31, 1999 included a non-recurring in process research and development charges of $2.6 million.

Liquidity and Capital Resources

The Company's operations used net cash of $3.2 million during the nine months ended March 31, 2000. The amount of net cash used by operations reflects increases in accounts receivable, inventory, prepaid expenses, and reductions in advances from customers and accrued warranty. Net cash used in operations was offset in part by an increase in accounts payable, accrued payroll and related expenses, income taxes payable, and other accrued expenses and current liabilities. The increase in accounts receivable is mainly due to the increased sales, timing of shipments of certain large contracts and increase in inventory is due to increase in shipments and product mix.

Net cash used in investing activities was $1.1 million and $23.8 million for the nine months ended March 31, 2000 and 1999, respectively. In the nine month period ended March 31, 2000, net cash used in investing activities reflects primarily cash used in business acquisitions and the purchase of property and equipment and was offset in part by the sale of marketable securities. In the nine months ended March 31, 1999, the net cash used in investing activities reflects primarily cash used in business acquisitions, the purchase of property and equipment and purchase of marketable securities.

Net cash provided by financing activities was $3.7 million and $8.1 million for the nine months ended March 31, 2000 and 1999, respectively. During the nine months ended March 31, 2000, net cash provided by financing activities resulted primarily from borrowings under the Company's term loan and working capital lines of credit and was offset in part by the purchase of treasury stock.

In October 1999, the Company borrowed $3.0 million from its term loan facility with Sanwa Bank. The term loan amortizes over seven years and is payable monthly over five years. The balance is due in one balloon payment after five years. In November 1999, the Company converted $8.5 million of borrowings from its acquisition line of credit to a term loan, for a period of 48 months. For the nine months ended March 31, 1999, net cash provided by financing activities resulted primarily from the Company's acquisition and working capital lines of credit.

The March 1999, the Company announced a stock repurchase program of up to 2,000,000 shares of its common stock. Through May 10, 2000, the Company repurchased 490,500 shares at an average price $4.60 per share. The stock repurchase program did not have a material effect on the Company's liquidity and is not expected to have a material effect on liquidity in subsequent quarters.

The Company anticipates that current cash balances, anticipated cash flows from operations and current borrowing arrangements will be sufficient to meet its working capital and capital expenditure needs for the foreseeable future.

Foreign Currency Translation. The accounts of the Company's operations in Singapore, Malaysia, England, Norway, Denmark, Finland and Canada are maintained in Singapore dollars, Malaysian ringgits, U.K. pounds sterling, Norwegian kroner, Danish kroner, Finnish markka and Canadian dollars, respectively. Foreign currency financial statements are translated into U.S. dollars at current rates, with the exception of revenues, costs and expenses, which are translated at average rates during the reporting period. Gains and losses resulting from foreign currency transactions are included in income, while those resulting from translation of financial statements are excluded from income and accumulated as a component of accumulated other comprehensive income. Net transaction loss of approximately $131,000 and $464,000 were included in income for the nine months ended March 31, 2000 and 1999, respectively.

Inflation. The Company does not believe that inflation has had a material impact on its results of operations for the nine months ended March 31, 2000.

Year 2000 Compliance

The Company experienced no material business operation interruptions due to computer or related system failures during the roll-over period from the year 1999 to the year 2000. The Company has to date experienced no material delay in payments, receipt of materials or interruption of services due to Year 2000 difficulties experienced by its customers, trading partners and vendors.

Item 6. Exhibits and Reports of Form 8-K

a. Exhibits

27. Financial Data Schedule

b. Reports on Form 8-K

None

Signatures

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, in the City of Hawthorne, State of California on the 12th day of May 2000.

OSI Systems, Inc.

By: /s/ Deepak Chopra

Deepak Chopra
President and
Chief Executive Officer

By: /s/ Ajay Mehra

Ajay Mehra
Vice President and
Chief Financial Officer

5
1,000

9-MOS
JUN-30-2000
JUL-01-1999
MAR-31-2000
6,741
0
35,525
0
28,473
77,147
14,626
0
103,511
30,905
8,347
0
0
49,572
14,069
103,511
83,238
83,238
60,627
60,627
23,062
0
500
(642)
(29)
0
0
0
0
(385)
(0.04)
(0.04)