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 September 30, 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 NO ___

As of November 10, 2000 there were 9,356,303 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)

	September 30, 2000	June 30, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$11,472	$10,892
Accounts receivable, net of allowance for doubtful accounts of $842 and $855 at September 30, 2000 and June 30, 2000, respectively	28,394	29,890
Other receivables	1,998	2,184
Inventory	33,169	30,920
Prepaid expenses	1,065	821
Deferred income taxes	1,747	1,807
Income taxes receivable	146	193
Total current assets	77,991	76,707
Property and Equipment, Net	13,946	14,248
Intangible and Other Assets, Net	9,129	9,052
Deferred income taxes	3,016	3,016
Total	$104,082	$103,023
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank lines of credit	$9,186	$6,079
Current portion of long-term debt	2,615	2,641
Accounts payable	10,383	12,728
Accrued payroll and related expenses	2,498	2,270
Income taxes payable	3,030	1,586
Advances from customers	655	558
Accrued warranties	1,714	1,805
Other accrued expenses and current liabilities	3,494	3,141
Total current liabilities	33,575	30,808
Long-Term Debt	7,192	7,698
Deferred Income Taxes	158	164
Minority interest		146
Total liabilities	40,925	38,816
Shareholders' Equity		
Preferred stock, no par value; authorized, 10,000,000 shares; none issued and outstanding at September 30, 2000 and June 30, 2000, respectively		
Common stock, no par value; authorized, 40,000,000 shares; issued and outstanding 9,356,303 and 9,349,750 shares at September 30, 2000 and June 30, 2000, respectively	47,393	47,357
Retained earnings	18,282	18,787
Accumulated other comprehensive loss	(2,518)	(1,937)
Total shareholders' equity	63,157	64,207
Total	$104,082	$103,023

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 September 30, 2000	1999
Revenues	$24,884	$24,955
Cost of goods sold	17,941	17,759
Gross profit	6,943	7,196
Operating expenses:		
Selling, general and administrative	5,617	5,183
Research and development	1,715	1,637
Goodwill amortization	128	127
Restrcuturing costs		1,898
Total operating expenses	7,460	8,845
Loss from operations	(517)	(1,649)
Interest expense, net	304	123
Loss before provision for income taxes and minority interest	(821)	(1,772)
Benefit for income taxes	(170)	(391)
Loss before minority interest in net loss of subsidiary	(651)	(1,381)
Minority interest in net loss of subsidiary	146	
Net loss	($505)	($1,381)
Loss per common share	($0.05)	($0.15)
Loss per common share -assuming dilution	($0.05)	($0.15)
Weighted average shares outstanding -assuming dilution	9,355,303	9,521,695

See accompanying notes to consolidated financial statements

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

	Three months ended September 30, 2000	1999
Cash flows from operating activities:		
Net loss	($505)	($1,381)
Adjustments to reconcile net loss to net cash used in activities:		
Depreciation and amortization	1,008	983
Deferred income taxes	(24)	(17)
Loss on sale of property and equipment	132	
Minority interest in net loss of subsidiary	(146)	
Changes in operating assets and liabilities:		
Accounts receivable	1,028	2,379
Other receivables	151	(222)
Inventory	(2,698)	(227)
Prepaid expenses	(255)	(413)
Accounts payable	(2,124)	(2,422)
Accrued payroll and related expenses	273	(174)
Income taxes payable	1,479	53
Prepaid income taxes receivable	75	(540)
Advances from customers	109	(166)
Accrued warranty	(86)	69
Other accrued expenses and current liabilities	404	793
Net cash used in operating activities	(1,179)	(1,285)
Cash flows from investing activities:		
Purchases of property and equipment	(574)	(616)
Proceeds from sale of property and equipment	17	
Proceeds from sale of marketable securities available for sale		(2)
Decrease in equity investments		39
Cash paid for business acquisitions, net of cash acquired	(441)	(776)
Others	2	
Net cash used in investing activities	(996)	(1,355)
Cash flows from financing activities:		
Net proceeds from bank lines of credits	3,135	4,245
Payments on long-term debt	(531)	(46)
Proceeds from exercise of stock options and warrants	36	26
Purchase of treasury stock		(1,167)
Net cash provided by financing activities	2,640	3,058
Effect of exchange rate changes on cash	115	24
Net increase in cash and cash equivalents	580	442
Cash and cash equivalents, beginning of period	10,892	7,241
Cash and cash equivalents, end of period	$11,472	$7,683
Supplemental disclosures of cash flow information -		
Cash paid/(received) during the period for:		
Interest, net	$163	$47
Income taxes	($1,714)	$95

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 microstructure 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 fiber 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" and "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 densitometers which are used to provide bone loss measurements in the 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. These financial statements 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 annual 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, 2000 included in the Company's Annual Report on Form 10K as filed with the Commission on September 27, 2000. The results of operations for the three months ended September 30, 2000 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2001.

Recent Developments - In August 2000, the Company acquired substantially all the assets of Square One Technology for total consideration consisting of: $228,000 in cash, a $30,000 advance for future royalties, the return of the Square One stock held by the Company with a carrying value of $259,000, and an agreement to pay royalties equal to ten percent of net sales of the Square One products in the next five years, up to a maximum of one million dollars. The cash consideration of $228,000 approximates the fair value of the tangible assets acquired. Additional consideration, if any, will be recorded as intangible assets, and will be amortized over a period of twenty years.

In September 2000, the Company acquired an additional equity interest, representing approximately 10% of the ownership of OSI Medical Inc., for $183,000. This amount was recorded as goodwill based on the estimated fair value of the underlying net assets and is being amortized over a period of twenty years. With this additional equity investment, the Company increased its common stock ownership in OSI Medical Inc. to approximately 64%.

New Accounting Pronouncements - In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101, Revenue Recognition In Financial Statements ("SAB 101"). SAB 101 provides guidance on applying generally accepted accounting principles to revenue recognition in financial statements. The Company will adopt SAB 101 as required in the fourth quarter of fiscal 2001. The Company is currently evaluating the impact of adopting SAB 101, and does not expect it to have a material impact on the Company's financial position or result of operations.

Effective July 1, 2000, the Company adopted FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133"). FAS 133 requires that all derivative financial instruments, such as foreign exchange contracts, be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are either recognized periodically in income or shareholders' equity (as a component of comprehensive income), depending on whether the derivative is being used to hedge changes in fair value or cash flows. The adoption of FAS 133 did not have a material effect on the Company's financial position or result of operations for the quarter ended September 30, 2000.

Financial Instruments - The Company enters into forward foreign exchange contracts principally to hedge currency fluctuation in transactions denominated in foreign currencies, thereby limiting the Company's risk that would otherwise result from changes in exchange rates. The periods of the forward foreign exchange contracts correspond to the periods of the hedged transactions. The Company does not use the contracts for trading purposes. As of September 30, 2000, the total notional amount of all outstanding foreign exchange contracts was $509,000. The estimated fair value of foreign currency contracts was not material.

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

	September 30, 2000	June 30, 2000
Raw Materials...	$18,405	$16,877
Work-in-process...	6,005	6,619
Finished goods..	8,759	7,424
Total..	$33,169	$30,920

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 September 30					
	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	($505,000)	9,355,303	($0.05)	($1,381,000)	9,521,695	($0.15)
Effect of Dilutive Securities Options, treasury stock method						
Earnings per common share assuming dilution Income available to common stockholder, assuming dilution	($505,000)	$9,355,303	($0.05)	($1,381,000)	9,521,695	($0.15)

Comprehensive Income - Comprehensive income is computed as follows (in thousands):

	For the quarter ended September 30, 2000	1999
Net income	($505)	($1,381)
Other comprehensive income, net of taxes:		
Foreign currency translation adjustments	(581)	493
Unrealized gains on marketable securities available for sale		59
Other comprehensive income	(581)	552
Comprehensive income	($1,086)	($829)

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

Cautionary Statement

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 and subsystems, medical imaging systems and security and inspection products. Revenues are recorded net of all inter-company transactions. Revenues decreased by 0.3% to $24.9 million for the three months ended September 30, 2000 compared to $25.0 million for the comparable prior year period. Revenues for the three months ended September 30, 2000 from optoelectronic and pressure sensor devices, subsystems and medical imaging systems were $13.5 million or approximately 54.1% of the Company's revenues and revenues from security and inspection products were $11.4 million or approximately 45.9% of the Company's revenues.

Gross Profit. Cost of goods sold consists of material, labor and manufacturing overhead. Gross profit decreased by $253,000, or 3.5%, to $6.9 million for the three months ended September 30, 2000 from $7.2 million for the three months ended September 30, 1999. As a percentage of revenues, gross profit decreased to 27.9% for the three months ended September 30, 2000 from 28.8% for the three months ended September 30, 1999. The decrease in gross margin was mainly due to product mix.

Selling, General and Administrative. Selling, general and administrative expenses consisted primarily of compensation paid to sales, marketing, and administrative personnel, professional service fees, and marketing expenses. For the three months ended September 30, 2000, such expenses increased by $434,000, or 8.4%, to $5.6 million from $5.2 million for the three months ended September 30, 1999. As a percentage of revenues, selling, general and administrative expenses increased to 22.6% for the three months ended September 30, 2000 from 20.8% for the three months ended September 30, 1999. The increase in expenses was due primarily to increased legal expenses and exchange rate transaction losses due to the relatively strong U.S. dollar compared to U.K. pound sterling.

Research and Development. Research and development expenses include research related to new product development and product enhancement expenditures. For the three months ended September 30, 2000, such expenses increased by $78,000, or 4.8%, to $1.7 million from $1.6 million for the three months ended September 30, 1999. As a percentage of revenues, research and development expenses increased to 6.9% for the three months ended September 30, 2000 from 6.6% for the three months ended September 30, 1999. The increase was due primarily to increased research spending for medical products.

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. facilites. In the quarter ended September 30, 1999, the Company recorded 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. The Company has completed the closure of the Osteometer facility in Denmark and does not anticipate any future expenses.

Loss from Operations. For the three months ended September 30, 2000, loss from operations was $517,000 compared to loss of $1.6 million for the three months ended September 30, 1999. Excluding the non-recurring restructuring costs of $1.9 million, income from operations for the three months ended September 30, 1999 was $249,000. Income from operations decreased due to increased selling, general and administrative expenses, increased research and development expenses and a decrease in gross profit.

Interest Expense. For the three months ended September 30, 2000, the Company incurred net interest expense of $304,000 compared to $123,000 for the three months ended September 30, 1999. The net interest expense for the three months ended September 30, 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.

Benefit for Income Taxes. For the three months ended September 30, 2000, the Company had an income tax benefit of $170,000 compared to $391,000 for the three months ended September 30, 1999. As a percentage of loss after minority interest and before benefit for income taxes, the benefit for income taxes was 25.2% for the three months ended September 30, 2000 compared to 22.1% for the three months ended September 30, 1999. The Company's effective tax rate varies primarily due to a mix in income from U.S. and foreign operations and utilization of previously unrealized net operating losses.

Net Loss. For the reasons outlined above, the net loss for the three months ended September 30, 2000 was $505,000 compared to the net loss of $1.4 million for the three months ended September 30, 1999.

Liquidity and Capital Resources

The Company's operations used net cash of $1.2 million during the three months ended September 30, 2000. The amount of net cash used in operations reflects increases in inventory, prepaid expenses and reduction in accounts payable. Net cash used in operations was offset in part by a reduction in accounts receivables and other receivables and an increase in accrued payroll and related expenses, income taxes payable and other accrued expenses and current liabilities.

Net cash used in investing activities was $996,000 and $1.4 million for the three months ended September 30, 2000 and 1999, respectively. In the three months ended September 30, 2000 and 1999, respectively, the net cash used in investing activities reflects primarily cash used in business acquisitions and purchases of property and equipment.

Net cash provided by financing activities was $2.6 million and $3.1 million for the three months ended September 30, 2000 and 1999, respectively, in each case primarily in the form of net borrowing from bank lines of credit. In the three months ended September 30, 1999, net cash provided by financing activities was offset in part by the purchase of treasury stock.

In March 1999, the Company announced a stock repurchase program of up to 2,000,000 shares of its common stock. Through November 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. During fiscal 2000, the Company retired the treasury shares. The shares are disclosed as a deduction from common shares in the accompanying financial statements.

The Company anticipates that current cash balances, anticipated cash flows from operations and current borrowing arrangements will be sufficient to meet its working capital, stock repurchase program and capital expenditure needs for the foreseeable future. The Company was in violation of two covenants for the three months ended September 30, 2000. The covenants were waived by the bank for the three months ended September 30, 2000 only. As of September 30, 2000, outstanding amounts under this agreement were $8.4 million for lines of credit and $9.7 million for term loans.

Foreign Currency Translation. The accounts of the Company's operations in Singapore, Malaysia, England, Denmark, Finland, Norway and Canada are maintained in Singapore dollars, Malaysian ringgits, U.K. pounds sterling, Danish kroner, Finnish markka, Norwegian kroner 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 shareholder's equity. Net foreign currency transaction (losses) gains of approximately ($152,000) and $89,000 were included in income for the three months ended September 30, 2000 and 1999, respectively.

Inflation. The Company does not believe that inflation has had a material impact on its September 30, 2000 results of operations.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on 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 14th date of November 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

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