BIOMERICA INC

FORM 10QSB
(Quarterly Report of Financial Condition)

Filed 01/14/99 for the Period Ending 11/30/98

Address	17571 VON KARMAN AVENUE IRVINE, CA, 92614
Telephone	9496452111
CIK	0000073290
Symbol	BMRA
SIC Code	3843 - Dental Equipment and Supplies
Industry	Medical Equipment, Supplies & Distribution
Sector	Healthcare
Fiscal Year	05/31

BIOMERICA INC

FORM 10QSB
(Quarterly Report of Financial Condition)

Filed 1/14/1999 For Period Ending 11/30/1998

Address	1533 MONROVIA AVENUE
	NEWPORT BEACH, California 92663
Telephone	949-645-2111
CIK	0000073290
Industry	Medical Equipment & Supplies
Sector	Healthcare
Fiscal Year	05/31

FORM 10-QSB
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER Section 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended November 30, 1998 Commission File No. 0-8765

BIOMERICA, INC.

(Exact name of registrant as specified in its charter)

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Delaware                                         95-2645573
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(State or other jurisdiction of                  (I.R.S. Employer
incorporation or organization)                   Identification No.)


1533 Monrovia Avenue, Newport Beach, California        92663
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(Address of principal executive offices)               (Zip Code)
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Registrant's telephone number including area code: (714) 645-2111

(Not applicable)

(Former name, former address and former fiscal year, if changed since last report.)

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 that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 3,964,052 shares of common Stock as of January 10, 1999.

BIOMERICA, INC.

INDEX

PART I - FINANCIAL INFORMATION

SUMMARIZED FINANCIAL INFORMATION

BIOMERICA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Six Months Ended November 30		Three Months Ended November 30	
	1998	1997	1998	1997
Net Sales	$ 4,356,323	$ 4,856,966	$ 2,200,318	$ 2,552,939
Cost of sales	2,741,175	2,870,085	1,429,700	1,520,384
Gross profit	1,615,148	1,986,881	770,618	1,032,555
Operating Expenses:				
Selling, general and administrative	1,585,395	1,583,714	809,360	847,306
Research and development	229,634	275,166	114,182	171,794
	1,815,029	1,858,880	923,542	1,019,100
Other Expense (income):				
Interest expense	4,608	17,074	2,629	7,601
Other (income), net	(155,405)	(91,826)	(94,161)	(43,501)
Income (loss) before minority interest in net profits (loss) of consolidated subsidiaries and income taxes	(49,084)	202,753	(61,392)	49,355
Minority interest in net (profits) losses Of consolidated subsidiaries	27,855	(20,642)	56,052	(18,908)
Income before taxes	(21,229)	182,111	(5,340)	30,447
Income taxes	1,600	16,390	800	2,012
NET INCOME	$ (22,829)	$ 165,721	$ (6,140)	$ 28,435
per share data:				
Net income (basic)	$ (.01)	$ .04	$ .00	$ .01
Net income (diluted)	$ (.01)	$ .04	$ .00	$ .01
Weighted average number of Shares outstanding:				
Basic	$ 3,969,513	$ 3,922,969	$ 3,971,552	$ 3,951,469
Diluted	$ 3,969,513	$ 4,037,586	$ 3,971,552	$ 4,049,554

The accompanying notes are an integral part of these statements.

BIOMERICA, INC.

CONSOLIDATED BALANCE SHEET

	November 30, 1998
Assets	
Current Assets	
Cash and cash equivalents	$1,751,578
Available for-sale securities	152,186
Accounts receivable, less allowance for doubtful accounts	1,517,022
Inventory	2,936,458
Notes receivable	41,135
Prepaid expenses and other	103,293
Total Current Assets	6,501,672
Inventory, non-current	24,000
Land held for investment	46,000
Property and Equipment, less accumulated depreciation and amortization	445,058
Intangible assets, net of accumulated amortization	491,907
Other Assets	6,756
	$7,515,393

The accompanying notes are an integral part of these statements.

BIOMERICA, INC.

CONSOLIDATED BALANCE SHEET

	November 30, 1998
Liabilities and Shareholders' Equity	
Current Liabilities	
Accounts payable and accrued liabilities	$ 863,774
Accrued compensation	384,113
Line of credit	200,000
Total Current Liabilities	1,447,887
Minority interest	2,425,822
Shareholders' Equity	
Shareholder loan	(36,000)
Common stock	317,124
Additional paid-in-capital	12,497,858
Unrealized holding gain on available for sale securities	17,658
Accumulated deficit	(9,154,956)
Total Shareholders' Equity	3,641,684
Total Liabilities and Equity	$ 7,515,393

The accompanying notes are an integral part of these statements.

BIOMERICA, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Six Months Ended November 30, 1998 and 1997

	1998	1997
Cash flows from operating activities:		
Net income	$ (22,829)	$ 165,721
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	117,805	162,386
Realized (gain) loss on sale of marketable securities	(111,885)	(47,792)
Minority interest in net profits of consolidated subsidiaries	(27,855)	21,802
Common Stock options issued for services rendered	3,274	3,120
Changes in current assets and liabilities:		
Accounts Receivable	89,666	(383,309)
Inventories	(401,906)	(29,919)
Prepaid expenses and other current assets	21,204	(23,273)
Accounts payable and other accrued liabilities	57,290	258,277
Accrued compensation	(60,933)	52,019
Net cash provided by operating activities	(336,169)	179,032
Net cash flows provided by (used in) investing activities:		
Disposal of fixed assets	2,309	0
Purchases of property and equipment	(48,977)	(81,375)
Sale of available-for-sale securities	254,314	143,209
Other assets	17,158	11,178
Purchases of intangible assets	(76,675)	(860)
Note receivable	(12,650)	0
Net cash used in investing activities	135,479	72,152
Cash flows from financing activities:		
Shareholder loan repayment	35,000	0
Stock repurchase	(25,064)	0
(Costs incurred) proceeds from sale of stock	0	(4,675)
Net borrowings on line of credit agreement	100,000	0
Principal payments on note payable to bank	0	(140,000)
Payments of long-term debt and capital lease obligations	0	(11,774)
Exercise of stock options	1,020	8,254
Investments by minority interest	737	0
Net cash (used in) provided by financing activities	111,693	(148,195)
Net increase (decrease) in cash and cash equivalents	(88,997)	102,989
Cash at beginning of year	1,840,575	1,706,151
Cash at end of six months	$ 1,751,578	$ 1,809,14

The accompanying notes are an integral part of these statements.

BIOMERICA, INC.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED NOVEMBER 30, 1998

	Common Stock		Additional	Unrealized Gain on Available-		Retained	
	Number of Shares	Amount	Paid-In Capital	For-Sale Securities	Shareholder Loan	Earnings (Deficit)	Total
Balance at May 31, 1998	3,978,302	$ 318,264	$12,513,000	$ 57,902	(71,000)	$(9,132,127)	$3,686,039
Stock repurchase	(15,450)	(1,236)	(19,340)				(20,576)
Change in unrealized gain on available for sale securities				(40,244)			(40,244)
Compensation expense			3,274				3,274
Exercise of employee Stock options	1,200	96	924				1,020
Shareholder loan					35,000		35,000
Net loss						(22,829)	(22,829)
Balance at November 30, 1998	3,964,052	$ 317,124	$12,497,858	$ 17,658	$ (36,000)	$(9,154,956)	$ 3,641,684

Note: The authorized capital stock consists of 10,000,000 shares of common stock, par value $.08 per share.

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

November 30, 1998

(1) Reference is made to Note 1 of the Notes to Financial Statements contained in the Company's Annual Report on Form 10-KSB for the fiscal year ended May 31, 1998, for a summary of significant accounting policies utilized by the Company.

(2) The information set forth in these statements is unaudited and may be subject to normal year-end adjustments. The information reflects all adjustments which, in the opinion of management, are necessary to present a fair statement of results of operations of Biomerica, Inc., for the periods indicated. It does not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flow in conformity with generally accepted accounting principles.

(3) Results of operations for the interim periods covered by this Report may not necessarily be indicative of results of operations for the full fiscal year.

(4) Reference is made to Note 3 of the Notes to Financial Statements contained in the Company's Annual Report on Form 10-KSB for the fiscal year ended May 31, 1998, for a description of the investments in affiliates and consolidated subsidiaries.

(5) Reference is made to Note 5 & 10 of the Notes to Financial Statements contained in the Company's Annual Report on Form 10-KSB for the fiscal year ended May 31, 1998, for information on commitments and litigation.

(6) Aggregate market value of available-for-sale securities exceeded aggregate cost by approximately $17,658 at November 30, 1998.

(7) Earnings Per Share

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share ("EPS"). SFAS No. 128 requires dual presentation of basic EPS and diluted EPS on the face of all income statements issued after December 15, 1997 for all entities with complex capital structures. Basic EPS is computed as net income divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants and other convertible securities. All periods presented have been restated to adopt the provisions of SFAS No. 128.

The following table illustrates the required disclosure of the reconciliation of the numerators and denominators of the basic and diluted EPS computations.

	For the Six Months Ended November 30, 1998		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS - Income available to common Shareholders	$ (22,829)	3,969,513	$ (.01)
Effect of dilutive securities - Options..	$	0	
Diluted EPS - Income available to common share-Holders plus assumed conversions......	$ (22,829)	3,969,513	$ (.01)

	For the Six Months Ended November 30, 1997		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS - Income available to common Shareholders	$ 165,721	3,922,969	$ .04
Effect of dilutive securities - Options..		114,617	
Diluted EPS - Income available to common share-Holders plus assumed conversions	$ 165,721	4,037,586	$ .04

	For the Three Months Ended November 30, 1998		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS - Income available to common Shareholders	$ (6,140)	3,971,552	$ (.00)
Effect of dilutive securities - Options..		0	
Diluted EPS - Income available to common share-Holders plus assumed conversions.........	$ (6,140)	3,971,552	$ (.00)

	For the Three Months Ended November 30, 1997		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS - Income available to common Shareholders	$ 28,435	3,951,469	$ .01
Effect of dilutive securities - Options..		98,085	
Diluted EPS - Income available to common share- holders plus assumed conversions	$ 28,435	4,049,554	$ .01

(8) New Disclosure Standards

In June 1997, SFAS No. 130 ("SFAS 130"), "Comprehensive Income" was issued which is effective for fiscal years beginning after December 15, 1997 and requires reclassification of earlier financial statements for comparative purposes. SFAS 130 requires that changes in the amounts of certain items, including foreign currency translation adjustments and gains and losses on certain securities, be shown in the financial statements. SFAS 130 does not require a specific format for the financial statement in which comprehensive income is reported, but does require that an amount representing total comprehensive income be reported in that statement. The Company does not expect that the implementation of SFAS 130 will have a material effect upon the Company's financial statements.

In June 1997, SFAS No. 131 ("SFAS 131"), "Disclosures about Segments of an Enterprise and Related Information" was issued. This statement will change the way public companies report information about segments of their business in their annual financial statements and requires them to report selected segment information in their quarterly reports issued to shareholders. It also requires entity-wide disclosures about the product, services an entity provides, the material countries in which it holds assets and reports revenues, and its major customers. SFAS 131 is effective for fiscal years beginning after December 15, 1997. The Company does not expect that the implementation of SFAS 131 will have a material effect upon the Company's financial statements.

(9) Biomerica and AIT currently operate a Novell-based LAN system put in place in November 1994. Most of the Company's computers have been upgraded to year 2000 compliant equipment. The Company will be upgrading the remaining systems as well as the software within the second calendar quarter of 1999. The cost of these upgrades will not be material. The accounting and record- keeping software that is employed at Biomerica and AIT is actively supported by the developer/vendor and is in wide currency in varied commercial milieus. Lancer uses a Hewlett-Packard multi-user mainframe computer with manufacturing software from a large software vendor. The software for this system is year 2000 compliant.

The Company does not place orders electronically nor does it make disbursements to vendors or employees in that medium. The Company has a broad base of customers and suppliers and therefore is not heavily reliant on any one outside company. However, the company has no way of completely knowing how the year 2000 may effect its various vendors or customers if such conversions are not completed on a timely basis by them, and thus it cannot estimate with certainty the impact the year 2000 may have on the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND SELECTED FINANCIAL DATA

Except for historical information contained herein, the statements in this discussion and analysis are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform act of 1995. Forward-looking statements involve known and unknown risks and uncertainties which may cause the Company's actual results in future periods to differ materially from forecasted results. These risks and uncertainties include, among other things, the continued demand for the Company's products, the ability of the Company to develop and market new products, availability of raw materials, year 2000 issues and the state of the economy. These and other risks are described in the Company's Annual Report on From 10-KSB and in the Company's other filings with the Securities and Exchange Commission.

Results of Operations

Consolidated net sales for Biomerica were $4,356,323 for the six months ended November 30, 1998 as compared to $4,856,966 for the same period in the previous year. This represents an decrease of $500,643 (10.3%). For the quarter then ended, sales were $2,200,318 as compared to $2,552,939 in the previous year. This represents a decrease of $352,621 (13.8%). Lancer Orthodontics (Lancer) had increased sales of $63,230 for the six months and a decrease of $29,289 for the quarter compared to the previous year. Lancer continues to search for and add new distributors, private label customers, and sales representatives. Lancer remains very active in investigating new products that will contribute strategically to its overall product line. Biomerica sales decreased for the six months ended by $557,465 as compared to the six month period of the previous fiscal year and by $317,736 for the three month period. This decrease was primarily due to decreases in foreign sales. Allergy Immuno Technologies had a decrease in sales of $6,408 for the six months and a decrease of $5,596 for the three month period due to the loss of some laboratory services users.

Cost of sales decreased for the six months by $128,910 (4.5%) and decreased by $90,684 (6.0%) for the quarter. Lancer had increased cost of sales as a percentage of sales of 1.9% for the six months and of 4.2% for the quarter due to industry-wide price competition. Biomerica had an increase of cost of goods as a percentage of sales of 6.6% for the six months and 3.5% for the three months over the prior periods. This was due to increased manufacturing labor costs.

Selling, general and administrative expenses increased for the six months by $1,681 (0%) and increased for the three months by $37,946 (0.5%). Lancer had increased selling, general and administrative costs for the six months and three month periods due to higher wages and commissions. These were offset by decreases at Biomerica and Allergy Immuno Technologies.

Research and development for the six months decreased from $275,166 to $229,634 or $45,532 (16.5%) and for the three months from $171,794 to $114,182, or $57,612 (33.5%). For the six months, Lancer had decreased product development of $17,621 and for the three months of $10,301 due to decreased wages. Biomerica also had decreased expenses of $28,211 for the six months and $47,461 for the quarter. Decreases at Biomerica were attributable to lower payroll costs. Allergy Immuno Technologies had an increase for the six months of $300 and of $150 for the quarter.

Interest expense decreased by $12,466 (73%) for the six months and by $4,972 (65.4%) for the three months due to reduced debt and interest rates at Lancer.

Liquidity and Capital Resources

As of November 30, 1998, the Company had cash and available-for-sale securities in the amount of $1,903,764, and working capital of $5,053,785. Biomerica is currently able to meet its costs of operations, development and expansion through both collection of trade accounts receivable and its working capital position. Lancer is currently able to meet its costs of operations through collection of trade accounts receivable, its working capital position and its line of credit.

At November 30, 1998, Lancer had a $1,000,000 line of credit with a bank. Borrowings are made at prime plus .75% (8.5% at November 30, 1998) and are limited to specified percentages of eligible accounts receivable. The unused portion available under the line of credit at November 30, 1998 was $181,290. The line of credit expires on November 3, 1999. The Company is not required to maintain compensating balances in connection with this borrowing arrangement.

The line of credit is collateralized by substantially all the assets of Lancer, including inventories, receivables, and equipment. The lending agreement for the line of credit requires, among other things, that Lancer maintain a tangible net worth of $2,500,000 and a debt to tangible net worth ratio of no more than 1 to 1. Lancer is not required to maintain compensating balances in connection with this lending agreement.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings. Inapplicable.

Item 2. Changes in Securities. Inapplicable.

Item 3. Defaults Upon Senior Securities. Inapplicable.

Item 4. Submission of Matters to a Vote of Security Holders. Inapplicable.

Item 5. Other Information. Inapplicable.

Item 6. Exhibits and Reports on Form 8-K. None.

SIGNATURES

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

Date: January 14, 1999

BIOMERICA, INC.

By: /S/ Zackary S. Irani

Zackary S. Irani, President and Chief Executive Officer

ARTICLE 5

PERIOD TYPE	6 MOS
FISCAL YEAR END	MAY 31 1999
PERIOD END	NOV 30 1998
CASH	1,751,578
SECURITIES	152,186
RECEIVABLES	1,640,230
ALLOWANCES	123,208
INVENTORY	2,936,458
CURRENT ASSETS	6,501,672
PP&E	3,137,945
DEPRECIATION	2,692,887
TOTAL ASSETS	7,515,393
CURRENT LIABILITIES	1,447,887
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	317,124
OTHER SE	3,324,560
TOTAL LIABILITY AND EQUITY	7,515,393
SALES	4,356,323
TOTAL REVENUES	4,356,323
CGS	2,741,175
TOTAL COSTS	2,741,175
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	4,608
INCOME PRETAX	(21,229)
INCOME TAX	1,600
INCOME CONTINUING	(22,829)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(22,829)
EPS PRIMARY	(.01)
EPS DILUTED	(.01)

End of Filing