

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(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 0-17272

TECHNE CORPORATION

(Exact name of registrant as specified in its charter)

MINNESOTA  
(State or other jurisdiction  
of incorporation or organization)

41-1427402  
(I.R.S. Employer  
Identification No.)

614 MCKINLEY PLACE N.E.  
MINNEAPOLIS, MN 55413  
(Address of principal (Zip Code)  
executive offices)

(612) 379-8854  
(Registrant's telephone number,  
including area code)

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 ( )

At May 8, 2000, 20,527,699 shares of the Company's Common Stock (par value  
\$.01) were outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

TECHNE CORPORATION & SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

<TABLE>  
<CAPTION>

	3/31/00	6/30/99
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ASSETS		
Cash and cash equivalents	\$ 18,158,301	\$ 12,769,468
Short-term investments	30,623,777	16,344,656
Accounts receivable (net)	14,936,769	13,520,409
Inventories	4,336,805	5,715,065
Income taxes receivable	383,264	-
Deferred income taxes	2,307,000	2,101,000
Other current assets	619,985	399,850
Total current assets	71,365,901	50,850,448
Deferred income taxes	3,627,000	3,137,000

Fixed assets (net)	44,589,048	15,065,234
Intangible assets (net)	38,642,812	45,564,750
Other assets	7,367,942	9,183,087
	-----	-----
TOTAL ASSETS	\$165,592,703	\$123,800,519
	=====	=====

#### LIABILITIES & EQUITY

Trade accounts payable	\$ 3,192,317	\$ 2,375,029
Salary and related accruals	3,020,845	2,313,450
Other payables	5,687,710	5,547,702
Income taxes payable	-	3,226,451
Current portion of long-term debt	809,744	-
	-----	-----
Total current liabilities	12,710,616	13,462,632
Deferred rent	-	1,963,500
Royalty payable	8,710,000	11,536,000
Long-term debt	19,143,909	-

Common stock, par value \$.01 per share; authorized 50,000,000; issued and outstanding 20,497,649 and 20,132,655, respectively	204,976	201,327
Additional paid-in capital	44,865,092	34,525,581
Retained earnings	79,815,273	62,058,879
Accumulated foreign currency Translation adjustments	142,837	52,600
	-----	-----
Total stockholders' equity	125,028,178	96,838,387

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$165,592,703 \$123,800,519

</TABLE>

See notes to unaudited Consolidated Financial Statements.

#### TECHNE CORPORATION & SUBSIDIARIES CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

<TABLE>

<CAPTION>

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/00	3/31/99	3/31/00	3/31/99
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Sales	\$26,776,906	\$23,789,055	\$76,524,798	\$66,588,506
Cost of sales	6,382,933	7,169,105	20,357,435	20,012,235
	-----	-----	-----	-----
Gross margin	20,393,973	16,619,950	56,167,363	46,576,271
Operating expenses (income):				
Selling, general and administrative	4,356,323	4,268,228	13,485,476	13,167,506
Research and development	2,468,439	3,004,721	8,320,262	8,698,832
Amortization expense	2,307,313	2,394,662	6,921,938	7,183,986
Interest expense	356,783	-	1,087,974	-
Interest income	(421,423)	(227,664)	(950,127)	(670,747)
	-----	-----	-----	-----
	9,067,435	9,439,947	28,865,523	28,379,577
Earnings before income taxes	11,326,538	7,180,003	27,301,840	18,196,694
Income taxes	3,677,000	2,643,000	9,240,000	6,548,000
	-----	-----	-----	-----
Net earnings	\$ 7,649,538	\$ 4,537,003	\$18,061,840	\$11,648,694
	=====	=====	=====	=====

Basic earnings per



CASH AND EQUIVALENTS AT END OF PERIOD      \$18,158,301   \$11,258,651

</TABLE>

See notes to unaudited Consolidated Financial Statements.

TECHNE CORPORATION & SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

A. BASIS OF PRESENTATION:

The unaudited Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles and with instructions to Form 10-Q and Article 10 of Regulation S-X. The accompanying unaudited Consolidated Financial Statements reflect all adjustments which are, in the opinion of management, necessary to a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

A summary of significant accounting policies followed by the Company is detailed in the Annual Report to Shareholders for Fiscal 1999. The Company follows these policies in preparation of the interim Financial Statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that the Consolidated Financial Statements be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto for the fiscal year ended June 30, 1999 included in the Company's Annual Report to Shareholders for Fiscal 1999.

Certain Consolidated Balance Sheet captions appearing in this interim report are as follows:

<TABLE>

<CAPTION>

	3/31/00	6/30/99
	-----	-----
<S>	<C>	<C>
<b>ACCOUNTS RECEIVABLE</b>		
Accounts receivable	\$15,232,769	\$13,820,409
Less reserve for bad debts	296,000	300,000
	-----	-----
<b>NET ACCOUNTS RECEIVABLE</b>	<b>\$14,936,769</b>	<b>\$13,520,409</b>
	=====	=====
<b>INVENTORIES</b>		
Raw materials	\$ 1,392,332	\$ 2,105,150
Supplies	121,087	110,227
Finished goods	2,823,386	3,499,688
	-----	-----
<b>TOTAL INVENTORIES</b>	<b>\$ 4,336,805</b>	<b>\$ 5,715,065</b>
	=====	=====
<b>FIXED ASSETS</b>		
Land	\$ 871,000	\$ -
Buildings and improvements	43,217,975	-
Laboratory equipment	12,173,934	11,308,984
Office equipment	3,561,680	3,294,704
Leasehold improvements	189,586	13,770,763
	-----	-----
	60,014,175	28,374,451
Less accumulated depreciation and amortization	15,425,127	13,309,217
	-----	-----
<b>NET FIXED ASSETS</b>	<b>\$44,589,048</b>	<b>\$15,065,234</b>
	=====	=====
<b>INTANGIBLE ASSETS</b>		
Customer list	\$18,010,000	\$18,010,000
Technology licensing agreements	500,000	500,000
Goodwill	39,075,089	39,075,089
	-----	-----
	57,585,089	57,585,089

Less accumulated amortization	18,942,277	12,020,339
	-----	-----
NET INTANGIBLE ASSETS	\$38,642,812	\$45,564,750
	=====	=====

</TABLE>

#### B. REAL ESTATE ACQUISITION:

On July 1, 1999, the Company purchased the facilities it occupies in Minneapolis, Minnesota for approximately \$28 million. Cash of \$4 million and 100,000 shares of Common Stock valued at \$2.16 million were placed in escrow during the third quarter of fiscal 1999. The remainder of the purchase price was financed through cash on hand and a \$20.4 million 15-year mortgage. The interest rate on the mortgage is fixed at 7% for the first seven years and is thereafter adjusted based on U.S. Treasury rates.

In addition, the Company paid \$2 million and issued seven-year warrants to purchase 60,000 shares of the Company's common stock at \$23.77 per share as a nonrefundable deposit on an option to purchase property adjacent to its Minneapolis facility. The fair market value of the warrants was \$858,000.

#### C. EARNINGS PER SHARE:

Shares used in the earnings per share computations are as follows:

<TABLE>  
<CAPTION>

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/00	3/31/99	3/31/00	3/31/99
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Weighted average common shares outstanding-basic	20,368,298	20,124,535	20,231,370	20,096,055
Dilutive effect of stock options and warrants	867,697	667,536	807,203	530,168
	-----	-----	-----	-----
Average common shares outstanding-diluted	21,235,995	20,792,071	21,038,573	20,626,223
	=====	=====	=====	=====

</TABLE>

#### D. SEGMENT INFORMATION:

Following is financial information relating to the Company's operating segments:

<TABLE>  
<CAPTION>

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/00	3/31/99	3/31/00	3/31/99
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
External sales				
Hematology	\$ 3,143,364	\$ 3,179,270	\$ 9,527,863	\$ 9,144,425
Biotechnology	16,658,266	14,477,976	47,192,193	39,997,589
R&D Systems Europe	6,975,276	6,131,809	19,804,742	17,446,492
	-----	-----	-----	-----
Total external sales	\$26,776,906	\$23,789,055	\$76,524,798	\$66,588,506
	=====	=====	=====	=====
Intersegment sales				
Hematology	\$ --	\$ --	\$ --	\$ --
Biotechnology	3,711,183	2,793,198	10,167,601	8,639,655
R&D Systems Europe	27,195	31,746	110,826	143,621
	-----	-----	-----	-----
Total intersegment				

sales	\$ 3,738,378	\$ 2,824,944	\$10,278,427	\$ 8,783,276
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Income before taxes

Hematology	\$ 869,536	\$ 906,955	\$ 2,746,207	\$ 2,511,842
Biotechnology	9,090,026	5,404,144	22,121,598	14,349,115
R&D Systems Europe	1,455,526	1,281,338	3,731,621	3,093,382
Corporate and other	(88,550)	(412,434)	(1,297,586)	(1,757,645)

Total income

before taxes	\$11,326,538	\$ 7,180,003	\$27,301,840	\$18,196,694
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</TABLE>

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

Results of Operations Quarter and Nine Months Ended March 31, 2000 vs. Quarter and Nine Months Ended March 31, 1999

Techne Corporation (Techne) has two operating subsidiaries: Research and Diagnostic Systems, Inc. (R&D Systems) located in Minneapolis, Minnesota and R&D Systems Europe Ltd. (R&D Europe) located in Abingdon, England. R&D Systems has two divisions: Biotechnology and Hematology. The Biotechnology Division's principal products are purified cytokines (proteins), antibodies and assay kits, which are sold primarily to biomedical researchers at pharmaceutical companies and academic and government research laboratories. The Hematology Division's principal products are whole blood hematology controls and calibrators which are sold to hospital and clinical laboratories to check the performance of their hematology instruments to assure the accuracy of hematology test results. R&D Europe sells R&D Systems' biotechnology products in Europe, both directly and through a sales subsidiary in Germany. The Company has a foreign sales corporation, Techne Export Inc.

The Company has an equity interest in ChemoCentryx, Inc. (CCX), a technology and drug development company working in the area of chemokines. Chemokines are cytokines which regulate the trafficking patterns of leukocytes, the effector cells of the human immune system. In conjunction with the equity investment and joint research efforts, Techne obtains exclusive worldwide research and diagnostic marketing rights to chemokine proteins, antibodies and receptors discovered or developed by CCX or R&D Systems. The Company accounts for this investment under the equity method of accounting and recognizes 100% of the losses of CCX due to the limited amount of cash consideration provided by the holders of the common shares of CCX. The Company's investment in CCX was \$3,267,439 and \$1,910,931 at March 31, 2000 and June 30, 1999, respectively.

Net Sales

Net sales for the quarter ended March 31, 2000 were \$26,776,906, an increase of \$2,987,851 (13%) from the quarter ended March 31, 1999. Sales for the nine months ended March 31, 2000 increased \$9,936,292 (15%) from \$66,588,506 to \$76,524,798. R&D Systems sales increased \$2,144,384 (12%) and \$7,578,042 (15%) for the quarter and nine months ended March 31, 2000, respectively. R&D Europe sales increased \$843,467 (14%) and \$2,358,250 (14%) for the quarter and nine months ended March 31, 2000, respectively. The increase was due largely to a \$2.2 and \$6.5 million increase in protein and antibody sales for the quarter and nine months and a \$.5 and \$1.9 million increase in immunoassay kit sales for the quarter and nine months.

Gross Margins

Gross margins, as a percentage of sales, increased from the prior year. Margins for the third quarter of fiscal 2000 were 76.2% compared to 69.9% for the same quarter in fiscal 1999. Margins for the nine months ended March 31, 2000 were 73.4% compared to 70.0% for the same period in fiscal 1999.

Biotechnology Division margins increased from 70.2% to 79.7% for the quarter ended March 31, 2000 and from 70.7% to 75.7% for the nine months ended March 31, 2000. Margins in the first nine months of last year were affected by the higher cost of inventory acquired from Genzyme Corporation, the majority of which was sold in fiscal 1999. The increase in Biotechnology Division gross margins also reflect the benefit from increased sales volume and decreased rent expense due to the Company's purchase of its Minneapolis facility. R&D Europe gross margins decreased from 47.8% to 40.6% for the quarter and from 46.8% to 42.8% for the nine months ended March 31, 2000 as a result of changes in exchange rates. Hematology Division gross margins decreased slightly for the quarter from 45.8% to 44.9% and remained steady at 46.3% for the nine months ended March 31, 2000.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$88,095 (2%) from the third quarter of fiscal 1999. These expenses also increased \$317,970 (2%) for the first nine months of fiscal 2000. This was mainly the result of increased wages and benefits and exchange rate losses partially offset by decreased rent expense.

#### Research and Development Expenses

Research and development expenses decreased \$536,282 (18%) and \$378,570 (4%) for the quarter and nine months ended March 31, 2000. The decrease was a result of research grant money received in fiscal 2000 by ChemoCentryx, Inc., which offset CCX's research expenses. Research and development expenses by R&D Systems increased \$423,000 (17%) for the quarter and \$1,147,000 (16%) for the nine months ended March 31, 2000. The increase related to products currently under development, many of which have been or will be released in fiscal 2000 and 2001. Products currently under development include both biotechnology and hematology products.

#### Net Earnings

Earnings before income taxes increased \$4,146,535 from \$7,180,003 in the third quarter of fiscal 1999 to \$11,326,538 in the third quarter of fiscal 2000. Earnings before taxes for the nine months increased \$9,105,146 from \$18,196,694 to \$27,301,840. The increase in earnings before income taxes was due primarily to the increase in sales and improved gross margin percentages discussed previously.

Income taxes for the quarter and nine months ended March 31, 2000 were provided at a rate of approximately 32% and 34% of consolidated pretax earnings compared to 37% and 36% for the prior year. The decrease in tax rate from the prior year is due to the results of CCX for which no taxes are provided. U.S. federal taxes have been reduced by the credit for research and development expenditures and the benefit of the foreign sales corporation. Foreign income taxes have been provided at rates which approximate the tax rates in the United Kingdom and Germany.

#### Liquidity and Capital Resources

At March 31, 2000, cash and cash equivalents and short-term investments were \$48,782,078 compared to \$29,114,124 at June 30, 1999. The Company believes it can meet its future cash, working capital and capital addition requirements through currently available funds, cash generated from operations and maturities of short-term investments. The Company has an unsecured line of credit of \$750,000. The interest rate on the line of credit is at prime. There were no borrowings on the line in the prior or current fiscal years.

#### Cash Flows From Operating Activities

The Company generated cash of \$26,911,899 from operating activities in the first nine months of fiscal 2000 compared to \$17,301,928 for the first nine months of fiscal 1999. The increase was mainly the result of increased net

earnings.

#### Cash Flows From Investing Activities

During the nine months ended March 31, 2000 short-term investments increased by \$14,279,121. During the nine months ended March 31, 1999, the Company decreased short-term investments by \$826,056. The Company's investment policy is to place excess cash in short-term tax-exempt bonds. The objective of this policy is to obtain the highest possible return with the lowest risk, while keeping the funds accessible.

Cash spent on fixed assets was \$27,621,979 (including \$21.9 million for the building purchase) for the first nine months of fiscal 2000, compared to \$3,121,109 for the first nine months of fiscal 1999. Included in the fiscal 2000 and 1999 additions were \$4,364,000 and \$1,703,000 for building improvements related to remodeling of facilities by R&D Systems. The remaining capital additions in fiscal 2000 and 1999 were for laboratory and computer equipment. Total expenditures for capital additions and building improvements planned for the remainder of fiscal 2000 are expected to cost approximately \$2.6 million and are expected to be financed through currently available funds and cash generated from operating activities.

During the first nine months of fiscal 2000, the Company invested an additional \$1 million in ChemoCentryx, Inc.

#### Cash Flows From Financing Activities

Cash of \$3,730,714 and \$989,672 was received during the nine months ended March 31, 2000 and 1999, respectively, for the exercise of options for 332,673 and 181,870 shares of common stock. During the first nine months of fiscal 2000 and 1999 options for 38,792 and 20,000 shares of common stock were exercised by the surrender of 6,471 and 4,404 shares of the Company's common stock with fair market values of \$305,510 and \$92,424, respectively.

During the first nine months of fiscal 1999, the Company purchased and retired 138,600 shares of Company common stock at a market value of \$2,075,683. The Board of Directors has authorized the Company, subject to market conditions and share price, to purchase and retire up to \$10 million of its common stock. From the start of the repurchase program through May 8, 2000, 650,600 shares have been purchased at a market value of \$8,754,114.

The Company has never paid cash dividends and has no plans to do so in fiscal 2000.

### ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At March 31, 2000, the Company had an investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of \$30,623,777. These securities, like all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase. However, the Company has the ability to hold its fixed income investments until maturity and therefore the Company does not expect any such increase to have an adverse impact on income or cash flows.

The Company operates internationally, and thus is subject to potentially adverse movements in foreign currency rate changes. The Company does not enter into foreign exchange forward contracts to reduce its exposure to foreign currency rate changes on intercompany foreign currency denominated balance sheet positions. Historically, the effect of movements in the exchange rates has been immaterial to the consolidated operating results of the Company.

#### Y2K ISSUES

To the date of this filing, the Company has not experienced any significant problems related to Y2K, either with its internal operations or with any of its suppliers and service providers.



## PART II - OTHER INFORMATION

### ITEM 1 - LEGAL PROCEEDINGS

During the quarter ended March 31, 2000, the Company settled previously disclosed litigation with Streck Laboratories, Inc. which had been pending in the United States District Court for the District of Nebraska.

### ITEM 2 - CHANGES IN SECURITIES

None

### ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

### ITEM 4 - SUBMISSION OF MATTERS TO VOTE OF SHAREHOLDERS

None

### ITEM 5 - OTHER INFORMATION

Forward Looking Information and Cautionary Statements: Statements in this filing, and elsewhere, which look forward in time involve risks and uncertainties which may affect the actual results of operations. The following important factors, among others, have affected and, in the future, could affect the Company's actual results: the introduction and acceptance of new biotechnology and hematology products, the levels and particular directions of research into cytokines by the Company's customers, the impact of the growing number of producers of cytokine research products and related price competition, the retention of hematology OEM and proficiency survey business, and the costs and results of research and product development efforts of the Company and of companies in which the Company has invested or with which it has formed strategic relationships.

### ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

#### A. EXHIBITS

See exhibit index immediately following signature page.

#### B. REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 2000.

## 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.

TECHNE CORPORATION  
(Company)

Date: May 12, 2000

/s/ Thomas E. Oland

-----  
Thomas E. Oland  
President, Chief Executive and  
Financial Officer

EXHIBIT INDEX  
TO  
FORM 10-Q

TECHNE CORPORATION

Exhibit #	Description
-----	-----
27	Financial Data Schedule

<TABLE> <S> <C>

<ARTICLE> 5

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