

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 December 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 41-1427402
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

614 MCKINLEY PLACE N.E.
MINNEAPOLIS, MN 55413 (612) 379-8854
(Address of principal (Registrant's telephone number,
executive offices) (Zip Code) 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 February 2, 2001, 41,457,790 shares of the Company's Common Stock (par
value \$.01) were outstanding.

ITEM 1 - FINANCIAL STATEMENTS

TECHNE CORPORATION & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	12/31/00	6/30/00
	-----	-----
ASSETS		
Cash and cash equivalents	\$ 16,855,236	\$ 17,356,108
Short-term investments	63,930,605	42,468,183
Accounts receivable (net)	15,382,233	15,600,868
Inventories	4,854,846	4,651,615
Income taxes receivable	-	3,290,314
Deferred income taxes	2,514,000	2,440,000
Other current assets	846,744	494,117
	-----	-----
Total current assets	104,383,664	86,301,205
Deferred income taxes	4,109,000	3,938,000

Property and equipment (net)	47,176,209	46,266,177
Intangible assets (net)	31,890,873	36,335,500
Other assets	7,515,780	7,568,699
	-----	-----
TOTAL ASSETS	\$195,075,526	\$180,409,581
	=====	=====
LIABILITIES & EQUITY		
Trade accounts payable	\$ 3,524,564	\$ 2,630,164
Salary and related accruals	2,004,086	2,998,696
Other payables	6,003,336	6,107,979
Income taxes payable	2,309,989	-
Current portion of long-term debt	854,086	824,315
	-----	-----
Total current liabilities	14,696,061	12,561,154
Royalty payable	5,846,000	7,768,000
Long-term debt	18,502,300	18,935,049
Common stock, par value \$.01 per share; authorized 100,000,000; issued and outstanding 41,454,290 and 41,381,998, respectively	414,543	413,820
Additional paid-in capital	53,819,315	52,857,444
Retained earnings	102,413,334	88,336,230
Accumulated other comprehensive loss	(616,027)	(462,116)
	-----	-----
Total stockholders' equity	156,031,165	141,145,378
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$195,075,526	\$180,409,581
	=====	=====

See notes to unaudited Consolidated Financial Statements.

TECHNE CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	QUARTER ENDED		SIX MONTHS ENDED	
	12/31/00	12/31/99	12/31/00	12/31/99
	-----	-----	-----	-----
Sales	\$26,688,666	\$25,126,839	\$54,410,229	\$49,747,892
Cost of sales	6,766,978	6,977,732	13,571,167	13,974,502
	-----	-----	-----	-----
Gross margin	19,921,688	18,149,107	40,839,062	35,773,390
Operating expenses (income):				
Selling, general and administrative	4,154,722	4,723,955	8,629,248	9,129,153
Research and development	3,594,500	2,660,928	6,863,209	5,851,823
Amortization expense	2,222,313	2,307,312	4,444,627	4,614,625
Interest expense	350,009	364,093	703,634	731,191
Interest income	(835,366)	(292,244)	(1,520,216)	(528,704)
	-----	-----	-----	-----
	9,486,178	9,764,044	19,120,502	19,798,088
	-----	-----	-----	-----
Earnings before income taxes	10,435,510	8,385,063	21,718,560	15,975,302
Income taxes	3,453,000	2,821,000	7,233,000	5,563,000
	-----	-----	-----	-----
Net earnings	\$ 6,982,510	\$ 5,564,063	\$14,485,560	\$10,412,302
	=====	=====	=====	=====
Earnings per share (Note D):				
Basic earnings per share	\$ 0.17	\$ 0.14	\$ 0.35	\$ 0.26
Diluted earnings per				

share \$ 0.16 \$ 0.13 \$ 0.34 \$ 0.25

Weighted average common
shares outstanding:

Basic	41,457,269	40,353,126	41,436,094	40,327,246
Diluted	42,840,275	42,121,092	42,800,185	41,884,244

See notes to unaudited Consolidated Financial Statements.

TECHNE CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

SIX MONTHS ENDED

12/31/00 12/31/99

CASH FLOWS FROM OPERATING ACTIVITIES:

Net earnings	\$ 14,485,560	\$ 10,412,302
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	6,274,267	6,143,922
Deferred income taxes	(258,000)	(596,000)
Other	552,919	284,357
Change in current assets and current liabilities:		
(Increase) decrease in:		
Accounts receivable	146,581	456,389
Inventories	(212,233)	1,589,316
Other current assets	(350,821)	31,341
Increase (decrease) in:		
Trade account/other payables	(1,209,832)	(892,861)
Salary and related accruals	(989,559)	(216,698)
Income taxes, net	5,831,027	(71,635)
NET CASH PROVIDED BY OPERATING ACTIVITIES	24,269,909	17,140,433

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of short-term investments	(34,000,954)	(10,400,000)
Proceeds from sale of short-term investments	12,538,532	6,122,938
Additions to property and equipment	(2,747,232)	(24,651,700)
Real estate deposit	-	(2,000,000)
Increase in other long term assets	(500,000)	(1,450,000)
NET CASH USED IN INVESTING ACTIVITIES	(24,709,654)	(32,378,762)

CASH FLOWS FROM FINANCING ACTIVITIES:

Issuance of common stock	733,142	729,628
Proceeds from issuance of long-term debt	-	20,400,000
Payments on long-term debt	(402,978)	(251,704)
Repurchase of common stock	(400,004)	-
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(69,840)	20,877,924

EFFECT OF EXCHANGE RATE CHANGES ON CASH	8,713	286,069
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NET CHANGE IN CASH AND EQUIVALENTS	(500,872)	5,925,664
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	17,356,108	12,769,468
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 16,855,236	\$ 18,695,132

See notes to unaudited Consolidated Financial Statements.

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 2000. 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, 2000 included in the Company's Annual Report to Shareholders for Fiscal 2000.

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

	12/31/00	6/30/00
	-----	-----
ACCOUNTS RECEIVABLE		
Accounts receivable	\$15,542,233	\$15,762,868
Less reserve for bad debts	160,000	162,000
	-----	-----
NET ACCOUNTS RECEIVABLE	\$15,382,233	\$15,600,868
	=====	=====
INVENTORIES		
Raw materials	\$ 2,246,917	\$ 2,288,719
Supplies	131,041	124,732
Finished goods	2,476,888	2,238,164
	-----	-----
TOTAL INVENTORIES	\$ 4,854,846	\$ 4,651,615
	=====	=====
FIXED ASSETS		
Land	\$ 871,000	\$ 871,000
Buildings and improvements	45,107,246	43,965,312
Laboratory equipment	15,563,897	14,114,039
Office equipment	3,664,858	3,535,164
Leasehold improvements	149,767	180,770
	-----	-----
	65,356,768	62,666,285
Less accumulated depreciation and amortization	18,180,559	16,400,108
	-----	-----
NET FIXED ASSETS	\$47,176,209	\$46,266,177
	=====	=====
INTANGIBLE ASSETS		
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	25,694,216	21,249,589
	-----	-----
NET INTANGIBLE ASSETS	\$31,890,873	\$36,335,500
	=====	=====

Effective July 1, 2000, the Company adopted Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," which provides guidance on accounting for derivatives and hedge transactions. The adoption of this pronouncement did not impact operating results or financial position.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," which provides guidance in applying generally accepted

accounting principles to revenue recognition in financial statements. The application of this SAB did not have a material impact on the Company's reported operating results or financial position.

B. EARNINGS PER SHARE:

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

	QUARTER ENDED		SIX MONTHS ENDED	
	12/31/00	12/31/99	12/31/00	12/31/99
Weighted average common shares outstanding-basic	41,457,269	40,353,126	41,436,094	40,327,246
Dilutive effect of stock options and warrants	1,383,006	1,767,966	1,364,091	1,556,998
Average common shares outstanding-diluted	42,840,275	42,121,092	42,800,185	41,884,244

C. SEGMENT INFORMATION:

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

	QUARTER ENDED		SIX MONTHS ENDED	
	12/31/00	12/31/99	12/31/00	12/31/99
External sales				
Hematology	\$ 3,677,677	\$ 3,220,811	\$ 7,185,894	\$ 6,384,499
Biotechnology	16,585,983	15,459,607	34,506,898	30,533,927
R&D Systems Europe	6,425,006	6,446,421	12,717,437	12,829,466
Total external sales	\$26,688,666	\$25,126,839	\$54,410,229	\$49,747,892
Intersegment sales				
Hematology	\$ --	\$ --	\$ --	\$ --
Biotechnology	3,884,920	3,269,989	7,285,577	6,456,418
R&D Systems Europe	16,130	22,361	37,382	83,631
Total intersegment sales	\$ 3,901,050	\$ 3,292,350	\$ 7,322,959	\$ 6,540,049
Income before taxes				
Hematology	\$ 1,363,492	\$ 946,697	\$ 2,448,650	\$ 1,876,671
Biotechnology	8,792,524	6,458,576	18,365,809	13,031,572
R&D Systems Europe	1,228,255	1,229,794	2,361,067	2,276,095
Corporate and other	(948,761)	(250,004)	(1,456,966)	(1,209,036)
Total income before taxes	\$10,435,510	\$ 8,385,063	\$21,718,560	\$15,975,302

D. STOCK SPLIT:

On November 9, 2000, the Company declared a two-for-one stock split to be effected in the form of a 100% stock dividend to shareholders of record on November 24, 2000. The payment date for the stock split was December 1, 2000. All earnings per share and share amounts included in these financial statements have been restated to reflect the stock split. The shareholders also approved an amendment to the Company's Articles of Incorporation to increase authorized common stock from 50,000,000 to 100,000,000 shares.

E. CONTINGENCIES:

A party has presented invoices in the amount of \$28 million for materials provided to the Company over past years, allegedly pursuant to a contract

under which no accounting or invoices were rendered for nine years. The Company has brought a declaratory judgment action seeking to have the court declare that no amount is owed. The Company's management believes that no material amount is owed, that it has claims against the other party, and that the ultimate resolution of the matter will not have a material adverse effect on the financial condition or results of operations of the Company.

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

Results of Operations Quarter and Six Months Ended December 31, 2000
vs. Quarter and Six Months Ended December 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 \$3,171,237 and \$3,553,516 at December 31, 2000 and June 30, 2000, respectively.

Net Sales

Net sales for the quarter ended December 31, 2000 were \$26,688,666, an increase of \$1,561,827 (6%) from the quarter ended December 31, 1999. Sales for the six months ended December 31, 2000 increased \$4,662,337 (9%) from \$49,747,892 to \$54,410,229. R&D Systems' Biotechnology Division sales increased \$1,126,376 (7%) and \$3,972,971 (13%) and R&D Systems' Hematology Division sales increased \$456,866 (14%) and \$801,395 (13%) for the quarter and six months, respectively. R&D Europe sales decreased \$21,415 (.3%) and \$112,029 (1%) for the quarter and six months ended December 31, 2000. The Biotechnology Division sales increase for the quarter was lower than expected due to two fewer prime shipping days during the quarter as compared to last year, slower than normal sales during the current Thanksgiving and Christmas holiday period and three large bulk orders in the second quarter of last year which resulted in an unusually large sales increase of 24% for that quarter. The increase in Hematology sales was due mainly to increased OEM sales. R&D Europe's decline in revenue was entirely a result of changes in foreign currency exchange rates. In British Pounds, R&D Europe's sales increased 11% and 10% over the second quarter and first six months of last year. Adjusted for all changes in exchange rates, R&D Europe's revenues for the second quarter and first six months of fiscal 2001 would have been approximately \$1.0 million and \$1.9 million higher than reported.

Gross Margins

Gross margins, as a percentage of sales, increased from the prior year. Margins for the second quarter of fiscal 2001 were 74.6% compared to 72.2%

for the same quarter in fiscal 2000. Margins for the six months ended December 31, 2000 were 75.1% compared to 71.9% for the same period in fiscal 2000.

Biotechnology Division margins increased from 73.7% to 78.2% for the quarter and from 73.5% to 78.7% for the six months ended December 31, 2000. Margins in the first six months of last year were affected by the higher cost of inventory acquired from Genzyme Corporation. R&D Europe gross margins decreased from 43.2% to 35.4% for the quarter and from 44.0% to 37.3% for the six months ended December 31, 2000 as a result of changes in exchange rates. Hematology Division gross margins increased slightly from 48.5% to 48.9% for the quarter and decreased slightly from 47.1% to 46.7% for the six months as a result of changes in product mix.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$569,233 (12%) and \$499,905 (5%) from the second quarter and first six months of last year. This was mainly the result of exchange rate changes, lower profit sharing accruals and the timing of certain printing and promotion expenses. It is anticipated that printing and promotion expenses will accelerate in the third and fourth quarters of fiscal 2001.

Research and Development Expenses

Research and development expenses increased \$933,572 (35%) and \$1,011,386 (17%) for the quarter and six months ended December 31, 2000. Research and development expenses by R&D Systems increased \$478,000 (17%) and \$936,000 (17%) for the quarter and six months, respectively. The R&D Systems research expense increase relates to products currently under development, many of which are expected to be released in fiscal 2001. Products currently under development include both biotechnology and hematology products. Research expenses related to ChemoCentryx increased \$538,000 and \$267,000 for the quarter and six months ended December 31, 2000 as a result of increased spending. The increases in research and development expenses by R&D Systems and ChemoCentryx were offset by a reduction in R&D Europe research expenses as a result of the cancellation of a research agreement with British Biotechnology Group plc. and the completion of the transfer of all R&D Europe research activities to R&D Systems.

Net Earnings

Earnings before income taxes increased \$2,050,447 from \$8,385,063 in the second quarter of fiscal 2000 to \$10,435,510 in the second quarter of fiscal 2001. Earnings before taxes for the six months increased \$5,743,258 from \$15,975,302 to \$21,718,560. The increase in earnings before income taxes was due primarily to the increase in sales and improved gross margins discussed previously.

Income taxes for the quarter and six months ended December 31, 2000 were provided at a rate of approximately 33% of consolidated pretax earnings compared to 34% and 35% for the quarter and first six months of the prior year. The decrease in tax rate from the prior year is due primarily to an increase in tax exempt interest income. 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 December 31, 2000, cash and cash equivalents and short-term investments were \$80,785,841 compared to \$59,824,291 at June 30, 2000. 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 \$24,269,909 from operating activities in the first six months of fiscal 2001 compared to \$17,140,433 for the first six months of fiscal 2000. The increase was mainly the result of increased net earnings and an increase in income taxes payable during the first six months of fiscal 2001.

Cash Flows From Investing Activities

During the six months ended December 31, 2000 and December 31, 1999, short-term investments increased by \$21,462,422 and \$4,277,062, respectively. 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.

Capital expenditures for fixed assets for the first six months of fiscal 2001 and 2000 were \$2,747,232 and \$24,651,700 (including \$21.9 million for the purchase of R&D Systems' Minneapolis facility), respectively. Included in the fiscal 2001 and 2000 additions were \$1,142,000 and \$1,921,000 for building improvements related to remodeling of facilities by R&D Systems. The remaining capital additions in fiscal 2001 and 2000 were for laboratory and computer equipment. Total expenditures for capital additions and building improvements planned for the remainder of fiscal 2001 are expected to cost approximately \$4 million and are expected to be financed through currently available funds and cash generated from operating activities.

During the first six months of fiscal 2000, the Company invested an additional \$1 million in ChemoCentryx, Inc. The Company also paid \$2 million and issued warrants to purchase 120,000 shares of common stock as a deposit on an option to purchase property adjacent to its Minneapolis facility.

Cash Flows From Financing Activities

Cash of \$733,142 and \$729,628 was received during the six months ended December 31, 2000 and 1999, respectively, for the exercise of options for 81,516 and 126,540 shares of common stock. During the first six months of fiscal 2001 and 2000 options for 1,000 and 19,584 shares of common stock were exercised by the surrender of 224 and 6,950 shares of the Company's common stock with fair market values of \$8,554 and \$112,271, respectively.

During the first six months of fiscal 2001, the Company purchased and retired 10,000 shares of Company common stock at a market value of \$400,004. The Board of Directors has authorized the Company, subject to market conditions and share price, to purchase and retire up to \$20 million of its common stock. From the start of the repurchase program through February 2, 2001, 1,311,200 shares have been purchased at a market value of \$9,154,118.

The Company has never paid cash dividends and has no plans to do so in fiscal 2001.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At December 31, 2000, the Company had an investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of \$63,930,605. 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 in interest rates 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.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

The information required by Item 1 is contained in the Company's Form 10-Q for the quarter ended September 30, 2000, which is incorporated herein by reference.

ITEM 2 - CHANGES IN SECURITIES

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 - SUBMISSION OF MATTERS TO VOTE OF SHAREHOLDERS

Information relating to the Company's Annual Meeting of Shareholders, held on November 9, 2000 is contained in the Company's Form 10-Q for the quarter ended September 30, 2000, which is incorporated herein by reference.

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, the impact of changes in foreign currency exchange rates, the outcome of litigation involving the Company 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

None.

B. REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended December 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: February 13, 2001 Thomas E. Oland

President, Chief Executive and
Financial Officer