

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

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

For the fiscal year ended June 30, 2003

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 of Incorporation) (IRS Employer Identification No.)

614 McKinley Place N.E., Minneapolis, MN 55413
(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (612) 379-8854

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$.01 par value.

Indicate by check mark whether the Company (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: (X)

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ()

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). (X)

The aggregate market value of the Common Stock held by non-affiliates of the Registrant, based upon the closing sale price on September 12, 2003 as reported on The Nasdaq Stock Market was approximately \$1,302,581,000. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded.

Shares of \$.01 par value Common Stock outstanding at September 12, 2003:
41,027,576

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for its 2003 Annual Meeting of Shareholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

OVERVIEW

Techne Corporation (the Company) is a holding company which has two wholly-owned 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 is a specialty manufacturer of biological products. Its two major operating segments are hematology controls, which are used in hospital and clinical laboratories to check the accuracy of blood analysis instruments, and biotechnology products, including purified proteins (cytokines) and antibodies which are sold exclusively to the research market and assay kits which are sold to the research and clinical diagnostic markets. R&D Europe distributes R&D Systems' biotechnology products in Europe. R&D Europe has a German sales subsidiary, R&D Systems GmbH (R&D GmbH). The Company's foreign sales corporation, Techne Export Inc., was dissolved in fiscal 2002.

R&D Systems was founded and incorporated in 1976 in Minneapolis, Minnesota and was acquired by the Company in 1985. In 1977, R&D Systems introduced its first product, a platelet-rich-plasma control. In 1981, R&D Systems was the second manufacturer in the world to release a whole blood control with platelets, thereby establishing itself as one of the leaders in the field of hematology control products manufacturing. Subsequently, R&D Systems has developed several types of hematology controls designed to keep pace with the technology of the newest models of hematology instruments. These products are sold throughout the United States directly by R&D Systems and in many foreign countries through distributors.

In 1985, R&D Systems entered the research reagent market with its first cytokine, TGF-beta. Cytokines are specialized protein molecules that stimulate or suppress various cell functions in the body. Cytokines are in demand by biomedical researchers who want to learn more about their diverse effects. Encouraged by its success in the cytokine market, R&D Systems formed a biotechnology division in 1986 with the goal of producing and marketing a wide range of human cytokines through genetic engineering. Recombinant DNA technology offers several advantages over extraction of these proteins from natural sources, including lower production cost and potentially unlimited supply.

In fiscal 1992, R&D Systems purchased Amgen Inc.'s research reagent and diagnostic assay kit business. With this purchase, R&D Systems obtained Amgen's Erythropoietin (EPO) kit, the Company's first enzyme-linked immunosorbent assay kit for a cytokine that had been cleared by the U.S. Food and Drug Administration (FDA) for clinical diagnostic use.

In fiscal 1994, the Company acquired its European biotechnology distributor, British Bio-technology Products Ltd. (renamed R&D Systems Europe Ltd.) from British Bio-technology Group plc. R&D Europe distributes biotechnology products developed and manufactured by R&D Systems.

Between fiscal 1998 and 2000, the Company made equity investments in the preferred stock of ChemoCentryx, Inc. (CCX), a technology and drug development company. The Company currently holds approximately 26% of the outstanding stock of CCX. In addition to the equity investment and joint research efforts, the Company obtained research and diagnostic market rights to all products discovered or developed by CCX.

In fiscal 1999, R&D Systems purchased Genzyme Corporation's research products business. This acquisition established R&D Systems as the world's leading supplier of research and diagnostic cytokine products. Included in cost of sales for fiscal 2003, 2002 and 2001 were \$2.3 million, \$1.8 million and \$1.1 million, respectively, of royalties paid to Genzyme under the purchase agreement. The royalty agreement expired on June 30, 2003.

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In fiscal 2002, the Company made an equity investment of \$3 million and entered into a research and license agreement with Discovery Genomics, Inc. (DGI). DGI holds licenses from the University of Minnesota to develop technologies used for functional genomics and the discovery of druggable targets. The Company currently holds a 39% equity interest in DGI and also received the rights to develop antibodies and immunoassay kits for proteins discovered by DGI and the rights to sell such products to the research market.

THE MARKET

The Company, through its two operating subsidiaries, manufactures and sells products for the clinical diagnostics market (hematology controls and calibrators) and the biotechnology research and clinical diagnostics market (cytokines, assays and related products). In fiscal 2003, 2002 and 2001, R&D Systems' Hematology Division revenues accounted for approximately 11%, 12% and 13%, respectively, of consolidated revenues. Revenues from R&D Systems' Biotechnology Division were 63%, 65% and 64% and revenues from R&D Europe were 26%, 23% and 23% of consolidated revenues for fiscal 2003, 2002 and 2001, respectively.

R&D Systems is the world's leading supplier of cytokines and cytokine-related reagents to the biotechnology research community. These valuable proteins exist in minute amounts in different types of cells and can be extracted from these cells or made through recombinant DNA technology. In 1985, R&D Systems introduced its first cytokine and continues to add to this product line. The first cytokines were extracted from natural sources (human and porcine platelets and bovine brain). Currently almost all of cytokines are produced by recombinant DNA technology. R&D Systems also sells antibodies for specific cytokines, cytokine assay kits, clinical diagnostic kits, kits for cytokine receptor binding studies, and related research reagents.

The growing interest by researchers in cytokines exists because of the profound effect a tiny amount of a cytokine can have on the cells and tissues of the body. Cytokines are intercellular messengers. They act as signals by interacting with specific receptors on the effected cells. They carry vital signals to the cell's genetic machinery that can trigger events that can lead to significant changes in a cell, tissue or organism. For example, cytokines can signal a cell to differentiate, i.e., to acquire the features necessary for it to take on a more specialized task. Another example of cytokine action is the key role they play in stimulating cells surrounding a wound to grow and divide and to attract migratory cells to the injury site.

R&D Systems' Biotechnology Division was formed in response to a growing need for highly purified biologically active proteins. R&D Systems believes that its cytokines are addressing the growing demand for these products within the scientific research community.

During fiscal 1990, the Biotechnology Division released its first cytokine assay kits under the tradename Quantikine(r). These kits are used by researchers to quantify the level of a specific cytokine in a sample of blood, serum, or other biological fluid. In fiscal 1996, the Biotechnology Division expanded its Quantikine line by introducing a line of assay kits for mouse cytokines and has subsequently released kits for other animal models, including rat and pig. These kits are used extensively by research scientists doing cytokine studies using animal models, such as those used in pharmaceutical discovery and development programs.

R&D Systems currently manufactures and sells over 5,000 biotechnology products.

Current Biotechnology Products

Cytokines and Related Antibodies. Cytokines, extracted from natural sources or produced using recombinant DNA technology, are manufactured to the highest purity. Polyclonal antibodies are produced in animals (primarily goats and rabbits). The animals' immune systems recognize the cytokines as foreign and develop antibodies to these cytokines. The polyclonal antibodies are then purified from the animals' blood. Monoclonal antibodies are produced by injecting purified cytokines into mice. The B cells of a mouse's immune system are then isolated and fused with immortalized mouse cells that will produce the desired antibody. Purified cytokines and antibodies are made available both as research reagents and as parts of assay kits (below).

Assay Kits. This product line includes R&D Systems' human, murine (mouse and rat) and porcine (pig) Quantikine kits which allow research scientists to quantify the amount of a specific cytokine in a sample of blood or tissue. Also included in this product line are assay kits, developed by R&D Europe, to quantify adhesion molecules. These kits are used by research scientists to measure cellular adhesion molecules in serum, plasma, or cell culture media. Cellular adhesion molecules facilitate the movement of infection fighting cells out of the blood stream to the site of infections.

Clinical Diagnostic Kits. The EPO kit, acquired from Amgen Inc. in fiscal 1992, was the first diagnostic assay for which R&D Systems had FDA marketing clearance. R&D Systems also has received FDA marketing clearance for its transferrin receptor (TfR) and Beta2-microglobulin kits.

Flow Cytometry Products. This product line includes R&D Systems' Fluorokine kits which are used to measure the presence or absence of

receptors for specific cytokines on the surface of cells.

DNA and Related Products. This diverse product line includes: primer pairs which are synthetic DNA used to amplify specific genes in the laboratory, messenger RNA kits that allow researchers to quantitate the amount of a specific cytokine messenger RNA, and reagents for the study of DNA damage and repair mechanisms in the cell.

Hematology Controls and Calibrators

Hematology controls and calibrators, manufactured and marketed through the Hematology Division of R&D Systems, are products made up of the various cellular components of blood. Proper diagnosis of many illnesses requires a thorough and accurate analysis of the patient's blood cells, which is usually done with automatic or semiautomatic hematology instruments. Controls and calibrators ensure that these instruments are performing accurately and reliably.

Blood is composed of plasma, the fluid portion of which is mainly water, and blood cells, which are suspended in the plasma. There are three basic types of blood cells: red cells, white cells and platelets. Red cells transport oxygen from the lungs throughout the body, which they do by being rich in hemoglobin. White cells defend the body against foreign invaders. Platelets serve as a "plug" to stem blood flow at the site of an injury by initiating a complex series of biochemical reactions that lead to the formation of a clot.

The formed elements of blood (red cells, white cells and platelets) differ a great deal in size and concentration. The white cells are the largest in size and platelets the smallest. The red cells are the most numerous and constitute 95 percent of all blood cells. The average adult has from 20 to 30 trillion red cells. For every 500 red cells there are approximately one white cell and about 20 platelets. As noted above, hematology controls are used in automatic and semiautomatic cell counting analyzers to make sure these instruments are counting blood cells accurately. One of the most frequently performed laboratory tests on a blood sample is called a complete blood count, or CBC for short. Doctors use this test in disease screening and diagnosis. More than a billion of these tests are done every year, the great majority with cell counting instruments. In most laboratories the CBC consists of the white cell count, the red cell count, the

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hemoglobin reading, and the hematocrit reading or the percent of red cells in a volume of whole blood after it has been centrifuged. Also included in a CBC test is the differential which numbers and classifies the different types of white cells.

These and other characteristics or "parameters" of a blood sample can be measured by automatic or semiautomatic cell counters. Cell counters can read the parameters of blood either by impedance, in which a cell interrupts an electrical current and is counted, or by a laser, in which a cell interrupts a laser beam and is counted. The number of parameters measurable in a blood control product depends on the type and sophistication of the instrument for which the control is designed. Ordinarily, a hematology control is used once to several times a day to make sure the instrument is reading accurately. Some instruments need to be calibrated periodically. Hematology calibrators are similar to controls but go through additional processing and testing to ensure that the calibration values assigned are extremely accurate and can be used to adjust the instrument.

The Hematology Division of R&D Systems offers a complete line of hematology controls and calibrators for both impedance and laser type cell counters. R&D Systems believes its products have improved stability and versatility and a longer shelf life than most of those of its competitors. The Hematology Division supplies hematology control products for use as proficiency testing materials by laboratory certifying authorities of a number of states and countries. R&D Systems recognizes that developing technologies for cell counting instruments will require increasingly sophisticated and high-quality controls and is prepared to meet this challenge.

Current Retail Hematology Products

Impedance-Type Whole Blood Controls/Calibrators. The Hematology Division

of R&D Systems currently produces controls and calibrators for the following impedance-type instruments: Abbott Cell-Dyn, ABX, Beckman Coulter, CDC Technologies, Hycel, and Sysmex instruments.

Laser-Type Whole Blood Controls/Calibrators. Currently produced controls and calibrators for laser-type instruments include products for the following: Beckman Coulter MAXM, STKS and GENS; Abbott Cell-Dyn 3000, 3200, 3500 and 4000 instruments; ABX instruments; Bayer Technicon ADVIA and H series instruments; and Sysmex SE, SF and XE type instruments.

Linearity Control. This product provides a means of assessing the linearity of hematology analyzers for white blood cells, red blood cells, hemoglobin, platelets and reticulocytes.

Whole Blood Reticulocyte Controls. These controls are designed for manual and automated counting of reticulocytes (immature red blood cells).

Whole Blood Flow Cytometry Controls. These products are controls for flow cytometry instruments. These instruments are used to identify and quantify white blood cells by their surface antigens.

Whole Blood Glucose/Hemoglobin Control. This product is designed to monitor instruments which measure glucose and hemoglobin in whole blood.

Erythrocyte Sedimentation Rate Control. This product is designed to monitor erythrocyte sedimentation rate tests.

Multi-Purpose Platelet Reference Controls. These products, Platelet-Trol II and Platelet-Trol extended, are designed for use by automatic and semi-automatic impedance and laser instruments.

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PRODUCTS UNDER DEVELOPMENT

R&D Systems is engaged in ongoing research and development in all of its major product lines: hematology controls and calibrators, biotechnology cytokines, antibodies, assays and related products. The Company believes that its future success depends, to a large extent, on the ability to keep pace with changing technologies and markets. At the same time, the Company continues to examine its production processes to ensure high quality and maximum economy.

R&D Systems' Biotechnology Division is planning to release new cytokines, antibodies and cytokine assay kits in the coming year. All of these products will be for research purposes only and therefore do not require FDA clearance. R&D Systems' Hematology Division has developed several new control products in fiscal 2003 and is continuously working on product improvements and enhancements. However, there is no assurance that any of the products in the research and development phase can be developed or, if developed, can be successfully introduced into the marketplace.

Included in consolidated research and development expense are the Company's share of losses by CCX and DGI, development stage companies in which the Company has invested. Research and development expense was as follows:

	Year ended June 30,		
	2003	2002	2001
R&D Systems' expenses	\$17,393,441	\$15,614,817	\$14,022,546
CCX losses	2,580,023	1,350,435	499,687
DGI losses	607,879	505,015	--
	<u>\$20,581,343</u>	<u>\$17,470,267</u>	<u>\$14,522,233</u>
Percent of revenue	14.2%	13.3%	12.6%

BUSINESS RELATIONSHIPS

Between fiscal 1998 and 2000, the Company purchased a total of \$5 million of convertible preferred stock of ChemoCentryx, Inc. (CCX), which gave the Company a 49% interest in CCX through January 2001. In February 2001, CCX

obtained \$23 million in financing through the issuance of 8,846,154 shares of additional preferred stock. The Company currently holds approximately 26% of the outstanding voting stock of CCX. CCX is 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, the Company obtained 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 the investment under the equity method of accounting and, through January 2001, recognized 100% of the losses of CCX due to the limited amount of cash consideration provided by the holders of the common shares of CCX. Subsequent to January 2001, the Company is including CCX operating results in its consolidated financial statements based on its ownership percentage. The Company's net investment in CCX was \$2,511,023 and \$5,091,046 at June 30, 2003 and 2002, respectively.

On August 2, 2001, the Company made an equity investment of \$3 million and entered into a research and license agreement with Discovery Genomics, Inc. (DGI) of Minneapolis, Minnesota. DGI holds licenses from the University of Minnesota to develop technologies used for functional genomics and the discovery of drugable targets. The Company acquired a 39% equity interest in DGI and warrants to acquire additional equity. The Company also received the rights to develop antibodies and immunoassay kits for proteins discovered by DGI and an exclusive, royalty free license to sell such products in the research market. The Company's investment is accounted for under the equity method of accounting. The Company's net investment in DGI was \$1,887,106 and \$2,494,985 at June 30, 2003 and 2002, respectively.

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Original Equipment Manufacturer (OEM) agreements represent the largest market for hematology controls and calibrators made by R&D Systems. In fiscal 2003, 2002 and 2001, OEM contracts accounted for \$7,153,518, \$7,609,425 and \$7,096,901, respectively, or 5%, 6% and 6% of total consolidated revenues.

GOVERNMENT REGULATION

All manufacturers of hematology controls and calibrators are regulated under the Federal Food, Drug and Cosmetic Act, as amended. All of R&D Systems' hematology control products are classified as "In Vitro Diagnostic Products" by the FDA. The entire hematology control manufacturing process, from receipt of raw materials to the monitoring of control products through their expiration date, is strictly regulated and documented. FDA inspectors make periodic site inspections of the Hematology Division's control operations and facilities. Hematology control manufacturing must comply with Good Manufacturing Practices (GMP) as set forth in the FDA's regulations governing medical devices.

Three of R&D Systems' immunoassay kits, EPO, TfR and Beta2-microglobulin, have FDA clearance to be sold for clinical diagnostic use. R&D Systems must comply with GMP for the manufacture of these kits. Biotechnology products manufactured in the United States and sold for use in the research market do not require FDA clearance.

Some of R&D Systems' research groups use small amounts of radioactive materials in the form of radioisotopes in their product development activities. Thus, R&D Systems is subject to regulation by the US Nuclear Regulatory Commission (NRC) and has been granted an NRC license due to expire in April 2004. The license is renewable annually. R&D Systems is also subject to regulation and inspection by the Department of Health of the State of Minnesota for its use of radioactive materials. It has been granted a certificate of registration, which is renewable annually, by the Minnesota Department of Health. The current certificate expires April 1, 2004. R&D Systems has had no difficulties in renewing these licenses in prior years and has no reason to believe they will not be renewed in the future. If, however, the licenses were not renewed, it would have minimal effect on R&D Systems' business since there are other technologies the research groups could use to replace radioisotopes.

AVAILABILITY OF RAW MATERIALS

The primary raw material for the Company's hematology controls is whole blood. Human blood is purchased from commercial blood banks and porcine and bovine blood is purchased from nearby meat processing plants. After raw blood is received, it is separated into its components, processed and stabilized. Although the cost of human blood has increased owing largely to the requirement that it be tested for certain diseases, the higher cost of these materials has not had a serious adverse effect on the Company's business. R&D Systems does not perform its own testing as the supplier tests all human blood purchased. R&D Systems' Biotechnology Division develops and manufactures the majority of its cytokines from synthetic genes developed in-house, thus significantly reducing its reliance on outside resources. R&D Systems typically has several outside sources for all critical raw materials necessary for the manufacture of products.

PATENTS AND TRADEMARKS

R&D Systems owns patent protection for certain hematology controls. R&D Systems may seek patent protection for new or existing products it manufactures. No assurance can be given that any such patent protection will be obtained. No assurance can be given that R&D Systems' products do not infringe upon patents or proprietary rights owned or claimed by others, particularly for genetically engineered products.

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R&D Systems has not conducted a patent infringement study for each of its products. See Item 3 Legal Proceedings below.

R&D Systems and R&D Europe have a number of licensing agreements with patent holders under which they have the non-exclusive right to patented technology or the non-exclusive right to manufacture and sell certain patented cytokine and cytokine related products to the research market. For fiscal 2003, 2002 and 2001, total royalties expensed under these licenses were approximately \$2,273,000, \$2,143,000 and \$1,563,000, respectively.

R&D Systems has obtained federal trademark registration for certain of its hematology controls and biotechnology product groups. R&D Systems believes it has common law trademark rights to certain marks in addition to those which it has registered.

SEASONALITY OF BUSINESS

Sales of products by R&D Systems and R&D Europe, particularly R&D Europe, historically experience a slowing of sales or of the rate of sales growth during the summer months. R&D Systems also usually experiences a slowing of sales during the Thanksgiving to New Year holiday period. The Company believes this slowing is a result of vacation schedules in Europe and Japan and of academic schedules in the United States.

SIGNIFICANT CUSTOMERS

No single customer accounted for more than 10% of total revenues during fiscal 2003, 2002 or 2001.

BACKLOG

There was no significant backlog of orders for the Company's products as of the date of this report or as of a comparable date for fiscal 2002. The majority of the Company's biotechnology products are shipped within one day of receipt of the customers' order. The majority of hematology products are shipped based on a preset, recurring schedule.

COMPETITION

The worldwide market for cytokines and research diagnostic assay kits is being supplied by a number of biotechnology companies, including BD Biosciences, BioSource International, PeproTech, Inc., Sigma Chemical Co.,

Amersham Pharmacia and EMD Biosciences, Inc. R&D Systems believes that it is the leading worldwide supplier of cytokine related products in the research marketplace. R&D Systems believes that the expanding line of its products, their recognized quality, and the growing demand for these rare and versatile proteins, antibodies and assay kits, will allow the Company to remain competitive in the growing biotechnology research and diagnostic market.

Competition is intense in the hematology control business. The first control products were developed in response to the rapid advances in electronic instrumentation used in hospital and clinical laboratories for blood cell counting. Historically, most of the instrument manufacturing companies made controls for use in their own instruments. With rapid expansion of the instrument market, however, a need for more versatile controls enabled non-instrument manufacturers to gain a foothold. Today the market is comprised of manufacturers of laboratory reagents, chemicals and coagulation products and independent control manufacturers in addition to instrument manufacturers. The principal hematology control competitors of

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R&D Systems' retail products are Beckman Coulter, Inc., TOA Sysmex, Streck Laboratories, Abbott Diagnostics and Hematronix, Inc. R&D Systems believes it is the third largest supplier of hematology controls in the marketplace behind Beckman Coulter and Streck Laboratories.

EMPLOYEES

R&D Systems had 474 full-time and 40 part-time employees as of June 30, 2003. R&D Europe had 51 full-time and 10 part-time employees as of June 30, 2003, including 10 full-time and 1 part-time at R&D Europe's sales subsidiary in Germany.

ENVIRONMENT

Compliance with federal, state and local environmental protection laws in the United States, England and Germany had no material effect on R&D Systems or R&D Europe in fiscal 2003.

FOREIGN AND DOMESTIC OPERATIONS

The following table represents certain financial information relating to foreign and domestic operations for the fiscal years ended June 30 (all amounts are in thousands of US dollars):

	2003	2002	2001
	-----	-----	-----
Net Sales to External Customers			
Hematology Division:			
US	\$ 14,119	\$ 13,101	\$ 12,357
Other	2,547	2,470	2,353
Biotechnology Division:			
US	73,655	67,856	58,662
Other	17,310	16,798	14,995
R&D Europe:			
Other	37,380	30,675	26,990
	-----	-----	-----
	\$145,011	\$130,900	\$115,357
	=====	=====	=====
Gross Margin			
R&D Systems (US)	\$ 93,991	\$ 87,558	\$ 76,578
R&D Europe (England)	13,151	9,178	8,731
R&D GmbH (Germany)	2,473	1,657	1,623
	-----	-----	-----
	\$109,615	\$ 98,393	\$ 86,932
	=====	=====	=====
Net Earnings (Loss)			
Parent and R&D Systems (US)	\$ 41,630	\$ 24,436	\$ 31,006
R&D Europe (England)	6,306	4,324	3,310
R&D GmbH (Germany)	648	225	229
ChemoCentryx (US)	(2,580)	(1,350)	(500)

Discovery Genomics (US)	(608)	(505)	--
	-----	-----	-----
	\$ 45,396	\$ 27,130	\$ 34,045
	=====	=====	=====

Identifiable Assets			
Parent and R&D Systems (US)	\$229,714	\$214,606	\$197,743
R&D Europe (England)	31,472	22,594	17,029
R&D GmbH (Germany)	2,091	1,047	753
	-----	-----	-----
	\$263,277	\$238,247	\$215,525
	=====	=====	=====

CAUTIONARY STATEMENTS

The Company wishes to caution investors that the following important factors, among others, in some cases have affected and in the future could affect the Company's actual results of operations and cause such results to differ materially from those anticipated in forward-looking statements made in this document and elsewhere by or on behalf of the Company:

Technological Obsolescence and Competition

The biotechnology industry is subject to rapid and significant technological change. While the hematology controls industry historically has been subject to less rapid change, it too is evolving and is impacted significantly by changes in the automated testing equipment offered by hardware manufacturers. Competitors of the Company in the United States and abroad are numerous and include, among others, specialized biotechnology firms, medical laboratory instrument and equipment manufacturers and disposables suppliers, major pharmaceutical companies, universities and other research institutions. There can be no assurance that the Company's competitors will not succeed in developing technologies and products that are more effective than any which have been or are being developed by the Company or that would render the Company's technologies and products obsolete or noncompetitive. Many of these competitors have substantially greater resources and product development, production and marketing capabilities than the Company. With regard to diagnostic kits, which constitute a relatively minor portion of the Company's business, many of the Company's competitors have significantly greater experience than the Company in undertaking preclinical testing and clinical trials of new or improved diagnostic kits and obtaining FDA and other regulatory approvals of such products.

Research Spending

The Company's biotechnology products are sold primarily to research scientists at pharmaceutical and biotechnology companies and at university and government research institutions. Changes in spending on research by such companies and in funding of such universities and institutions by government, including the National Institutes of Health, affect the revenues and earnings of the Company. The Company's Biotechnology Division carries essentially no backlog of orders and changes in the level of orders received and filled daily can cause fluctuations in quarterly revenues and earnings.

Foreign Currency Exchange Rates

Approximately one quarter of the Company's sales are made through its European subsidiary, R&D Systems Europe, which makes its sales in foreign currencies. The Company's revenues and earnings are, therefore, affected by fluctuations in currency exchange rates.

Patents and Proprietary Rights

The Company's success will depend, in part, on its ability to obtain licenses and patents, maintain trade secret protection and operate without infringing the proprietary rights of others. The Company has filed a very limited number of United States and foreign patent applications for products in which it believes it has a proprietary interest. The Company has obtained and is negotiating licenses to produce a number of cytokines and related products claimed to be owned by others. The Company has not conducted a patent infringement study for each of its products. It is possible that products of the Company may unintentionally infringe patents of third parties or that the

Company may have to alter its products or processes, pay licensing fees or cease certain activities because of patent rights of third parties, thereby causing additional unexpected costs and delays which may have a material adverse effect on the Company. The patenting of hematology and biotechnology processes and products involves complex legal and factual questions and, to date, there has emerged no consistent policy regarding the breadth of claims in biotechnology patents.

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Protracted and costly litigation may be necessary to enforce rights of the Company and defend against claims of infringement of rights of others. See Item 3 Legal Proceedings below.

Financial Impact of Expansion Strategy

The Company engages in an expansion strategy which includes internal development of new products, collaboration with manufacturers of automated instruments which may use the Company's products, investment in joint ventures and companies developing new products related to the Company's business and acquisition of companies for new products or additional customer base. Each of the strategies carries risks that objectives will not be achieved and future earnings will be adversely affected. During the early development stage, under the equity method of accounting, a percentage of the losses of certain companies in which the Company may invest will be reported as losses of the Company, as is the case with ChemoCentryx, Inc. and Discovery Genomics, Inc. The Company may not have control of the expense levels of such companies and their losses may be greater than those anticipated by the Company.

Government Regulation

Ongoing research and development activities, including preclinical and clinical testing, and the production and marketing of certain of the Company's products are subject to regulation by numerous governmental authorities in the United States and other countries. Some of the Company's products and manufacturing processes and facilities require governmental approval prior to commercial use. The approval process applicable to clinical diagnostic products of the type which may be developed by the Company may take a year or more. Delays in obtaining regulatory approvals would adversely affect the marketing of products developed by the Company and the Company's ability to receive product revenues or royalties. There can be no assurance that regulatory approvals for such products will be obtained without lengthy delays, if at all.

Attraction and Retention of Key Employees

Recruiting and retaining qualified scientific and production personnel to perform research and development work and product manufacturing is critical to the Company's success. Although the Company believes it has been and will be able to attract and retain such personnel, there can be no assurance that the Company will be successful. In addition, the Company's anticipated growth and expansion into areas and activities requiring additional expertise, such as clinical testing, government approvals, production and marketing, will require the addition of new management personnel and the development of additional expertise by existing management personnel. The failure to attract and retain such personnel or to develop such expertise would adversely affect the Company's business.

INVESTOR INFORMATION

The Company is subject to the information requirements of the Securities Exchange Act of 1934 (the "Exchange Act"). Therefore, the Company files periodic reports, proxy statements, and other information with the Securities and Exchange Commission (the "SEC"). Such reports, proxy statements, and other information may be obtained by visiting the Public Reference Room of the SEC at 450 Fifth Street, NW, Washington, DC 20549 or by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically.

Financial and other information about the Company is available on its website

(<http://www.techne-corp.com>). The Company makes available on its website, copies of its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC.

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ITEM 2. PROPERTIES

The Company owns the facilities its R&D Systems subsidiary occupies in Minneapolis, Minnesota. The R&D Systems complex currently includes 365,000 square feet of administrative, research and manufacturing space. The Hematology Division manufacturing and shipping operations are located at 640 McKinley Place N.E. (47,000 square feet). Biotechnology Division manufacturing and research operations are located at 600 McKinley Place NE (85,000 square feet) and 2201 Kennedy Street (200,000 square feet). Administrative, sales and marketing functions are also located at the 2201 Kennedy Street building. The Company also occupies an additional 20,000 square feet in space connecting the three buildings. This area houses a lunchroom, a library and warehouse space. In addition, the Company constructed a 13,000 square foot entrance to the facility.

In March 2002, the Company purchased property adjacent to its Minneapolis facility for approximately \$8.9 million. The Company has begun to renovate this property and, when complete (planned for fiscal 2004), the building will add approximately 176,000 square feet of space. The Company plans to lease out approximately 70% of the building as retail and office space and use the remainder as warehouse and storage space. The Company has begun construction on an infill to connect this building to its current facility. The 78,000 square foot infill, planned to be completed in fiscal 2004, will be used primarily for laboratory space.

The Company has entered into an option agreement for additional real estate adjacent to the current facility. This option is exercisable through January 2005.

In December 2002, the Company purchased approximately 649 acres of farmland, including buildings, in southeast Minnesota for \$2.7 million. A portion of the land and buildings are being leased to third parties as cropland and for a dairy operation. Rental income from the property was \$72,000 in fiscal 2003. The remaining property will be used by the Company to house goats used for polyclonal antibody production. Building construction of approximately \$1.6 million is planned for this site in fiscal 2004.

R&D Europe leases approximately 17,000 square feet in a building in Abingdon, England. Base rent was \$405,000 in fiscal 2003.

R&D GmbH leases approximately 2,300 square feet as a sales office in Wiesbaden-Nordenstadt, Germany. Base rent was \$33,000 in fiscal 2003.

The Company believes the acquired property, purchase option and leased property discussed above are adequate to meet its occupancy needs in the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

On June 13, 2003, the Company submitted to the U.S. Patent and Trademark Office ("PTO") a "Request for Interference" to initiate an action between the Company and Streck Laboratories, Inc. regarding certain patents issued to Streck. The Streck patents relate to the addition of reticulocytes to hematology controls. The Company has reason to believe that it invented the invention(s) claimed in the Streck patents before Streck and is seeking a decision by the PTO that the Company is entitled to a patent covering the invention(s) and that the Streck patent is invalid.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of the Company's security holders during the fourth quarter of the Company's 2003 fiscal year.

EXECUTIVE OFFICERS OF THE COMPANY

(a) The names, ages and positions of each executive officer of the Company are as follows:

Name	Age	Position	Officer Since
Thomas E. Oland	62	Chairman of the Board, President, Treasurer, Chief Executive and Chief Financial and Accounting Officer and Director	1985
Dr. Monica Tsang	58	Vice President, Research	1995
Marcel Veronneau	48	Vice President, Hematology Operations	1995

The term of office of each executive officer is from one annual meeting of directors until the next annual meeting of directors or until a successor is elected. There are no arrangements or understandings among any of the executive officers and any other person (not an officer or director acting as such) pursuant to which any of the executive officers was selected as an officer of the Company.

(b) The business experience of the executive officers during the past five years is as follows:

Thomas E. Oland has been Chairman of the Board, President, Treasurer, Chief Executive and Chief Financial and Accounting Officer of the Company since December 1985.

Dr. Monica Tsang was elected a Vice President of the Company in March 1995. Prior thereto, she served as Executive Director of Cell Biology for R&D Systems' Biotechnology Division and has been an employee of R&D Systems since 1985.

Marcel Veronneau was elected a Vice President of the Company in March 1995. Prior thereto, he served as Director of Operations for R&D Systems' Hematology Division since joining the Company in 1993.

An additional officer, Dr. James A. Weatherbee, who served as Vice President and Chief Scientific Officer since 1995, is on medical leave. Dr. Weatherbee and Dr. Tsang are husband and wife.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock trades on The NASDAQ Stock Exchange under the symbol "TECH." The following table sets forth for the periods indicated the range of the closing price per share for the Company as reported by NASDAQ.

	FISCAL 2003 PRICE		FISCAL 2002 PRICE	
	HIGH	LOW	HIGH	LOW
1st Quarter	\$32.79	\$22.79	\$35.49	\$25.90
2nd Quarter	34.75	28.42	36.85	27.91
3rd Quarter	28.99	20.76	37.05	27.02
4th Quarter	31.02	18.95	32.72	25.30

As of September 12, 2003, there were approximately 325 shareholders of record. As of September 12, 2003, there were over 20,000 beneficial shareholders of the Company's common stock. TECHNE Corporation has never paid cash dividends on its common stock. Payment of dividends is within the discretion of TECHNE's Board of Directors, although the Board of Directors

plans to retain earnings for the foreseeable future for operating the Company's business.

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ITEM 6. SELECTED FINANCIAL DATA

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

REVENUE, EARNINGS AND CASH
FLOW DATA FOR THE YEARS ENDED

JUNE 30	2003	2002	2001	2000	1999(1)
Net sales	\$145,011	\$130,900	\$115,357	\$103,838	\$ 90,901
Gross margin	75.6%	75.2%	75.4%	74.2%	69.9%
Selling, general and administrative expenses	13.4%	15.1%	15.1%	16.4%	18.6%
Research and development expenses	14.2%	13.3%	12.6%	10.8%	13.2%
Interest expense	\$ 974	\$ 1,320	\$ 1,381	\$ 1,441	\$ --
Earnings before income taxes(2)	69,555	37,736	47,808	39,412	26,054
Net earnings(2)	45,396	27,130	34,045	26,583	16,656
Diluted earnings per share(2)	1.08	0.64	0.80	0.63	0.40
Capital expenditures	15,194	22,276	6,815	30,368	5,564
Depreciation and amortization(3)	6,353	12,688	12,737	12,651	11,890
Change in net working capital	24,259	6,148	34,560	36,352	(12,544)
Net cash provided by operating activities(2)	54,089	27,667	46,372	38,739	28,422
Return on sales(2)	31.3%	20.7%	29.5%	25.6%	18.3%
Return on average equity(2)	20.5%	14.1%	21.4%	22.3%	20.7%

BALANCE SHEET, COMMON STOCK
AND EMPLOYEE DATA AS OF

JUNE 30	2003	2002	2001	2000	1999 (1)
Cash, cash equivalents and short-term available-for-sale investments	\$117,501	\$ 97,064	\$ 97,072	\$ 59,824	\$ 29,114
Receivables	20,440	19,414	18,322	15,601	13,520
Inventories	6,332	6,077	5,438	4,652	5,715
Working capital	138,707	114,448	108,300	73,740	37,388
Total assets	263,277	238,247	215,525	180,410	123,801
Long-term debt, less current portion	15,852	17,101	18,050	18,935	--
Stockholders' equity	236,617	206,517	177,660	141,145	96,838
Average common and common equivalent shares (in thousands)	42,032	42,523	42,668	42,206	41,373
Book value per share(4)	\$ 5.78	\$ 4.97	\$ 4.29	\$ 3.41	\$ 2.41
Share price:					
High	34.75	37.05	74.00	70.00	14.75
Low	18.95	25.30	22.50	12.38	6.13
Price to earnings ratio	28	44	41	103	31
Current ratio	13.86	8.82	7.81	6.87	3.78
Quick ratio	12.76	7.96	7.26	6.00	3.17
Full-time employees	525	509	494	440	402

- (1) The Company acquired the research products business of Genzyme Corporation on July 1, 1998.
- (2) Fiscal 2002 results include a \$17,500,000 before tax charge (\$11,375,000 after tax and \$.27 diluted earnings per share) for settlement of litigation with Amgen, Inc.
- (3) The fiscal 2003 decrease in depreciation and amortization was primarily the result of adoption of Statement of Financial Accounting Standards No. 142.
- (4) Total stockholders' equity divided by total shares outstanding at June 30.

The Company has not declared any cash dividends in the past, and it is not anticipated that it will declare any dividends in the foreseeable future.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMPANY STRUCTURE

TECHNE Corporation (the Company) has two operating subsidiaries: Research and Diagnostic Systems, Inc. (R&D Systems) and R&D Systems Europe Ltd. (R&D Europe). R&D Systems, located in Minneapolis, Minnesota, has two operating segments: its Biotechnology Division and its Hematology Division. The Biotechnology Division develops and manufactures purified cytokines (proteins), antibodies and assay kits which are sold to biomedical researchers and clinical research laboratories. The Hematology Division develops and manufactures whole blood hematology controls and calibrators which are sold to hospitals and clinical laboratories to check the performance of hematology instruments to assure the accuracy of hematology test results. R&D Europe, the Company's third operating segment, located in Abingdon, England, is the European distributor of R&D Systems' biotechnology products. R&D Europe has a German sales subsidiary, R&D Systems GmbH. The Company's foreign sales corporation, Techne Export Inc., was dissolved in fiscal 2002.

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of the Company's financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company has identified the policies outlined below as critical to its business operations and an understanding of results of operations. The listing is not intended to be a comprehensive list of all accounting policies.

Valuation of accounts receivable. The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customers' current creditworthiness, as determined by management's review of their current credit information. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon the Company's historical experience and any specific customer collection issues that have been identified. While such credit losses have historically been within the Company's established provisions, if the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Valuation of inventory. Inventories are valued at the lower of cost (first-in, first-out method) or market. The Company regularly reviews inventories on hand for slow-moving and obsolete inventory, inventory not meeting quality control standards and inventory subject to expiration. The manufacturing process for proteins and antibodies has and may continue to produce quantities in excess of forecasted usage. Individual protein and antibody sales volumes can be volatile and the Company believes that forecasting sales volumes for individual products beyond a two-year period is highly

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uncertain. As a result, the Company values its manufactured protein and antibody inventory based on a two-year sales forecast. Any significant

unanticipated changes in product demand or market conditions could have an impact on the value of inventories and the change in value would be reflected in cost of sales in the period of the change.

Income taxes. The Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. These audits can involve complex issues, which may require an extended period of time to resolve. In management's opinion, adequate provisions for income taxes have been made for all years presented.

Assessment of claims or pending litigation. The Company is routinely subject to claims and involved in legal actions which are incidental to the business of the Company. Although it is difficult to predict the ultimate outcome of these matters, management believes that any ultimate liability will not materially affect the consolidated financial position or results of operations of the Company. As additional information becomes available, the Company will assess the potential liabilities related to claims or pending litigation and revise estimates as needed. Such revisions could materially impact the Company's consolidated financial position or results of operations.

RESULTS OF OPERATIONS

Net sales for fiscal 2003 were \$145,010,900, an increase of \$14,110,505 (11%) from fiscal 2002. Net sales by R&D Systems' Biotechnology Division for the period increased \$6,309,833 (7%). Net sales by R&D Systems' Hematology Division increased \$1,095,382 (7%) and net sales by R&D Europe increased \$6,705,290 (22%). R&D Europe's net sales for fiscal 2003 were affected by changes in foreign currency exchange rates. In British pounds, R&D Europe's net sales increased 11% from the prior year. The increase in consolidated net sales for the fiscal year was due largely to increased sales of proteins and antibodies.

Net sales for fiscal 2002 were \$130,900,395, an increase of \$15,543,833 (13%) from fiscal 2001. Net sales by R&D Systems' Biotechnology Division for the period increased \$10,998,256 (15%). Net sales by R&D Systems' Hematology Division increased \$860,192 (6%) and net sales by R&D Europe increased \$3,685,385 (14%). The increase in consolidated net sales for the fiscal year was due largely to increased sales of proteins and antibodies.

Gross margins, as a percentage of net sales, increased slightly from 75.2% in fiscal 2002 to 75.6% in fiscal 2003. Biotechnology Division gross margins decreased slightly from 79.2% to 79.0%. Hematology Division gross margins increased from 45.0% to 47.2% in fiscal 2003 as a result of lower raw material costs. Blood costs increased significantly during the prior year as a result of a decreased blood supply, but returned to a more normal level by the end of fiscal 2002. R&D Europe gross margins increased from 36.1% to 41.8% in fiscal 2003 mainly as a result of favorable exchange rates due to the weakening of the U.S. dollar to the British pound sterling.

Gross margins, as a percentage of net sales, decreased slightly from 75.4% in fiscal 2001 to 75.2% in fiscal 2002. Biotechnology Division gross margins increased from 78.6% to 79.2% in fiscal 2002 as a result of increased manufacturing efficiencies. Hematology Division gross margins decreased from 46.7% to 45.0% in fiscal 2002 as a result of higher raw material costs as discussed above. R&D Europe gross margins decreased from 38.3% to 36.1% in fiscal 2002 mainly as a result of changes in exchange rates.

Included in cost of sales for fiscal 2003, 2002, and 2001 were \$2.3 million, \$1.8 million and \$1.1 million, respectively, of royalties paid under an agreement which concluded on June 30, 2003.

Selling, general and administrative expenses decreased \$422,683 (2%) in fiscal 2003 and increased \$2,438,042 (14%) in fiscal 2002. The decrease in selling, general and administrative expenses in fiscal 2003 was a direct result of a \$1.2 million decrease in profit sharing and stock bonus contributions from the prior year due to sales and profit targets not being met. This decrease was partially offset by a \$751,000 increase in wages and benefits. The increase in fiscal 2002 was due to increased wages and benefits (\$903,000), profit sharing and stock bonus contributions (\$442,000) and legal expenses (\$373,000) from fiscal 2001.

Research and development expenses increased \$3,111,076 and \$2,948,034 in fiscal 2003 and 2002, respectively. Included in research and development expenses are the Company's share of losses by ChemoCentryx (CCX) and Discovery Genomics, Inc. (DGI), development stage companies in which the Company has invested. Research and development expenses are composed of the following:

	YEAR ENDED JUNE 30,		
	2003	2002	2001
R&D Systems' expenses	\$17,393,441	\$15,614,817	\$14,022,546
ChemoCentryx, Inc. losses	2,580,023	1,350,435	499,687
Discovery Genomics, Inc. losses	607,879	505,015	--
	<u>\$20,581,343</u>	<u>\$17,470,267</u>	<u>\$14,522,233</u>

Exclusive of CCX and DGI, research and development expenses by the Company increased \$1,778,624 and \$1,592,271 in fiscal 2003 and 2002, respectively. These increases were primarily the result of the development and release of new cytokines, antibodies and assay kits by R&D Systems' Biotechnology Division and the development and release of several new Hematology Division control products.

Amortization of intangible assets. On July 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, under which goodwill is no longer amortized. Goodwill amortization expense was \$6.27 million in both fiscal 2002 and 2001. As of June 30, 2002 the Company had net unamortized goodwill of \$12,540,000. The Company assessed the recoverability of its goodwill and other intangible assets as of July 1, 2002 (adoption) and determined that no impairment existed. The Company completed its annual impairment testing of goodwill and concluded that no impairment existed as of June 30, 2003. The Company used cash flow and fair value methodologies to assess impairment.

The pro forma effects of implementation of SFAS No. 142 to prior periods would be as follows:

	YEAR ENDED JUNE 30,	
	2002	2001
Reported net income	\$27,129,669	\$34,045,376
Goodwill amortization, net of tax	4,076,000	4,076,000
Adjusted net income	<u>\$31,205,669</u>	<u>\$38,121,376</u>
Reported basic earnings per share	\$ 0.65	\$ 0.82
Goodwill amortization	0.10	0.10
Adjusted basic earnings per share	<u>\$ 0.75</u>	<u>\$ 0.92</u>
Reported diluted earnings per share	\$ 0.64	\$ 0.80
Goodwill amortization	0.09	0.09
Adjusted diluted earnings per share	<u>\$ 0.73</u>	<u>\$ 0.89</u>

Litigation settlement. In fiscal 2002, the Company recorded a \$17.5 million charge as a result of a litigation settlement. In fiscal 2000, Amgen, Inc. had 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. In May 2002, the parties agreed to a \$17.5 million cash settlement of the dispute. The settlement was paid in June 2002 with cash on hand and the liquidation of approximately \$15 million of short-term available-for-sale investments. The after-tax amount of the charge to the Company's fiscal 2002 results was approximately \$11.4 million or \$.27 per diluted share. Excluding the settlement, earnings per diluted share would have been \$.91 for fiscal 2002 compared to \$.80 in the prior year.

Other non-operating expense (income). Other non-operating expense (income) consists mainly of foreign currency transaction gains and losses, rental income,

and real estate and utility expenses related to properties under construction/renovation.

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Earnings before taxes increased from \$37,735,669 in fiscal 2002 to \$69,555,293 in fiscal 2003. Excluding the litigation settlement discussed above from fiscal 2002 results, earnings before taxes increased \$14.3 million in fiscal 2003. R&D Systems' Biotechnology Division earnings increased \$10,714,234, R&D Systems' Hematology Division earnings increased \$843,416 and R&D Europe earnings increased \$3,817,858. These increases in earnings were due mainly to increased sales and decreased goodwill amortization of \$6.27 million and were partially offset by increased losses of \$1,332,425 by CCX and DGI included in the Company's results.

Earnings before taxes decreased from \$47,808,376 in fiscal 2001 to \$37,735,669 in fiscal 2002. The decrease was the result of the litigation settlement discussed above. Excluding the settlement, the Company's earnings before taxes for fiscal 2002 would have been approximately \$55.2 million compared to \$47.8 million in the prior year, an increase of \$7.4 million. R&D Systems' Biotechnology Division earnings increased \$8,010,086, R&D Systems' Hematology Division earnings increased \$37,292 and R&D Europe earnings increased \$1,193,382. These increases in earnings were due mainly to increased sales and were partially offset by increased losses of \$1,355,763 by CCX and DGI included in the Company's results.

Income taxes for fiscal 2003, 2002 and 2001 were provided at rates of approximately 35%, 28% and 29%, respectively. The increased tax rate in fiscal 2003 was primarily the result of changes in Minnesota income tax regulations which resulted in state tax expense of \$666,000 (\$1,552,000 expense offset by \$886,000 of tax credit carryforwards) in fiscal 2003 compared to a credit of \$1 million in fiscal 2002. The tax rate in fiscal 2001 includes the effect of a one-time \$1.2 million credit as a result of the close-out of pending issues related to a state income tax examination for fiscal years 1996 through 1999. U.S. federal and state taxes have been reduced as a result of tax-exempt interest income, the benefit of extraterritorial income in fiscal 2003 and 2002, the benefit of the foreign sales corporation in fiscal 2001, and the federal and state credit for research and development expenditures. Foreign income taxes have been provided at rates which approximate the tax rates in the countries in which R&D Europe operates. Without significant business developments, the Company expects income tax rates for fiscal 2004 to be from 35% to 36%.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	FISCAL 2003			FISCAL 2002				
	FIRST QTR.	SECOND QTR.	THIRD QTR.	FOURTH QTR.	FIRST QTR.	SECOND QTR.	THIRD QTR.	FOURTH QTR.(1)
Net sales	\$34,548	\$33,300	\$37,737	\$39,426	\$29,843	\$31,137	\$34,285	\$35,636
Gross margin	25,858	24,929	28,980	29,847	22,295	23,109	25,893	27,096
Earnings (loss) before taxes	15,907	14,988	19,118	19,543	12,256	12,407	15,350	(2,277)
Income taxes	5,462	5,107	6,724	6,866	3,831	3,972	4,776	(1,973)
Net earnings (loss)	10,445	9,881	12,394	12,677	8,425	8,435	10,574	(304)
Basic earnings (loss) per share	0.25	0.24	0.30	0.31	0.20	0.20	0.25	(0.01)
Diluted earnings (loss) per share	0.25	0.23	0.30	0.31	0.20	0.20	0.25	(0.01)

(1) Results include a \$17,500,000 before tax charge (\$11,375,000 after tax) for settlement of litigation with Amgen, Inc. Excluding the settlement basic and diluted earnings per share would have been \$.27 and \$.26, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash, cash equivalents and short-term available-for-sale investments at June 30, 2003 were \$117,501,331 compared to \$97,063,821 at June 30, 2002. At June 30, 2001, cash, equivalents and short-term available-for-sale investments were \$97,071,868. The Company has an unsecured line of credit of \$750,000 available at June 30, 2003. The line of credit expires on October 31, 2003. The interest rate on the line of credit is at the prime rate (4.0% at June 30, 2003).

Management of the Company expects to be able to meet its future cash and working capital requirements for operations, debt repayment, facility expansion and capital additions through currently available funds, cash generated from operations and maturities of short-term available-for-sale investments.

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Cash flows from operating activities. The Company generated cash from operations of \$54,088,895, \$27,667,227 and \$46,371,711 in fiscal 2003, 2002 and 2001, respectively. The increase in cash generated from operating activities in fiscal 2003 of approximately \$26.4 million was the result of increased net earnings, increased losses by equity method investees and increased income taxes payable, partially offset by decreased goodwill amortization and decreased trade and other accounts payable. Net earnings increased approximately \$18.3 million from fiscal 2002 to fiscal 2003 while losses by equity method investees, which do not affect the Company's cash balances, increased \$1.3 million from fiscal 2002. The increase in income taxes payable of \$10.9 million was mainly the result of higher U.S. taxable income in fiscal 2003 (\$3.9 million increase in U.S. income taxes payable compared to fiscal 2002) and lower income tax payments made in fiscal 2003 (\$5.1 less than made in fiscal 2002). Goodwill amortization decreased \$6.27 million in fiscal as a result of adoption of Statement of Financial Accounting Standards No. 142. The decrease in trade and other accounts payable was mainly the result of \$3.8 million less in royalties payable to Genzyme, Inc. stemming from the fiscal 1999 acquisition of Genzyme's research product business under which royalties were due through fiscal 2003. The decrease in cash generated from operating activities in fiscal 2002 of approximately \$6.9 million was mainly the result of decreased net earnings due to the litigation settlement and increased income tax payments.

Cash flows from investing activities. Capital additions (excluding the land and building purchases and construction discussed below) were \$1,178,332, \$2,645,977 and \$4,920,832 in fiscal 2003, 2002 and 2001, respectively. Included in fiscal 2003, 2002 and 2001 capital additions are building improvements of \$202,000, \$522,000 and \$2.3 million related to R&D Systems' remodeling. The remaining capital additions were for laboratory, manufacturing and computer equipment. Capital additions for laboratory, manufacturing and computer equipment planned for fiscal 2004 are expected to be approximately \$1.5 million and are expected to be financed through currently available cash and cash generated from operations.

Included in fiscal 2003 capital additions was \$11.1 million for renovation of property purchased in fiscal 2002 and the construction of an infill connecting the purchased property to R&D Systems' existing property, \$202,000 for the completion of a parking ramp and \$2.7 million for the purchase of property in southeastern Minnesota as described in Note C to the Consolidated Financial Statements. Included in fiscal 2002 capital additions was \$6 million for the purchase of property adjacent to the Company's Minneapolis facility, \$7.8 million for renovation of the property and the construction of the infill and \$5.9 million for the construction of the parking ramp. Included in fiscal 2001 capital additions was \$1.9 million for the construction of the parking ramp. The land and building purchases and construction were all financed through cash on hand, cash generated from operations and maturities of short-term available-for-sale investments.

Remaining construction costs for the Minneapolis property are estimated to be approximately \$7 million with the completion of the construction expected in fiscal 2004. Construction costs for buildings planned at the property in southeastern Minnesota are estimated at \$1.6 million in fiscal 2004. All construction is expected to be financed through cash on hand and cash generated from operations.

The Company's net purchases of (proceeds from) short-term available-for-sale investments in fiscal 2003, 2002 and 2001 was \$6,514,928, (\$5,132,736) and \$33,335,894, respectively. The Company's investment policy is to place excess cash in municipal and corporate bonds with the objective of obtaining the highest possible return with the lowest risk, while keeping funds accessible.

The Company paid \$1,999,000 in March 2002 as a nonrefundable deposit on an option, which expires in 2005, to purchase additional property adjacent to its Minneapolis facility. In fiscal 2000, the Company had paid an original \$1,000 deposit on this option.

In August 2001, the Company made an equity investment of \$3 million in Discovery Genomics, Inc. (DGI). DGI holds licenses from the University of Minnesota to develop technologies used for functional genomics and the discovery of drug targets. The Company holds a 39% equity interest in DGI and accounts for this investment under the equity method of accounting. The Company's net investment in DGI was \$1,887,106 and \$2,494,985 at June 30, 2003 and 2002, respectively.

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Cash flows from financing activities. The Company received \$2,442,471, \$332,173 and \$814,892 for the exercise of options for 264,898, 87,400 and 89,616 shares of common stock in fiscal 2003, 2002 and 2001, respectively.

In fiscal 2003, 2002 and 2001, the Company purchased and retired 1,026,500, 30,000 and 40,000 shares of Company common stock at market values of \$22,512,572, \$745,615 and \$1,163,768, respectively. In May 1995, the Company announced a plan to purchase and retire its common stock. Since May 1995, the Board of Directors has authorized the purchase of \$40 million of common stock. Through June 30, 2003, \$33,176,069 of common stock had been purchased under the plan. Any additional purchases will be funded from currently available cash.

The Company has never paid cash dividends and currently has no plans to do so in fiscal 2004. The Company's net earnings will be retained for reinvestment in the business.

Contractual obligations. The following table summarizes the Company's contractual obligations and commercial commitments as of June 30, 2003:

PAYMENTS DUE BY PERIOD (\$000'S)

	LESS THAN TOTAL	1-3 1 YEAR	4-5 YEARS	AFTER YEARS	5 YEARS
Long-term debt	\$17,086	\$1,234	\$2,626	\$2,846	\$10,380
Operating leases	5,660	491	939	853	3,377
Minimum royalty payments		119	119	--	--
	\$22,865	\$1,844	\$3,565	\$3,699	\$13,757

OFF-BALANCE SHEET ARRANGEMENTS

The Company is not a party to any off-balance sheet transactions, arrangements or obligations that have, or are reasonably likely to have, a material effect on the Company's financial condition, changes in the financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION-TRANSITION AND DISCLOSURE, an amendment of SFAS No. 123. This statement provides alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based compensation. The statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The Company accounts for stock-based compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and complies with the disclosure provisions of SFAS No. 123. The transition provisions are effective for fiscal years ending after December 15, 2002. The disclosure provisions are effective for interim periods beginning after December 15, 2002. The Company implemented the required disclosure provisions in Form 10-Q for the quarter

ended March 31, 2003.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), CONSOLIDATION OF VARIABLE INTEREST ENTITIES. FIN 46 addresses the consolidation by businesses of variable interest entities and requires businesses to consolidate a variable interest entity if it has a variable interest that will absorb a majority of the entity's expected losses if they occur, or receive a majority of the entity's expected returns if they occur, or both. FIN 46 became effective for variable interest entities created after January 31, 2003. For variable interest entities created prior to January 31, 2003, the provisions of FIN 46 are applicable to the Company for the quarter ended September 30, 2003. The Company is currently assessing the impact of FIN 46 on its consolidated financial statements.

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FORWARD-LOOKING INFORMATION

Statements in this Annual Report, and elsewhere, that are forward-looking involve risks and uncertainties which may affect the Company's actual results of operations. Certain of these risks and uncertainties which have affected and, in the future, could affect the Company's actual results are discussed below.

The Company's biotechnology products are sold primarily to research scientists at pharmaceutical and biotechnology companies and at university and government research institutions. Changes in spending on research by such companies and in funding of such universities and institutions by government, including the National Institutes of Health, affects the revenues and earnings of the Company. The Company carries essentially no backlog of orders and changes in the level of orders received and filled daily can cause fluctuations in quarterly revenues and earnings.

Approximately one quarter of the Company's sales are made through its European subsidiary, R&D Systems Europe, which makes its sales in foreign currencies. The Company's revenues and earnings are, therefore, affected by fluctuations in currency exchange rates.

The biotechnology industry is subject to rapid and significant technological change. While the hematology controls industry historically has been subject to less rapid change, it too is evolving and is impacted significantly by changes in the automated testing equipment offered by hardware manufacturers. Competitors of the Company are numerous and include, among others, specialized biotechnology firms, medical laboratory instrument and equipment manufacturers and disposables suppliers, major pharmaceutical companies, universities and other research institutions. There can be no assurance that the Company's competitors will not succeed in developing technologies and products that are more effective than any which have been or are being developed by the Company or that would render the Company's technologies and products obsolete or noncompetitive.

The Company's success will depend, in part, on its ability to obtain licenses and patents, maintain trade secret protection and operate without infringing the proprietary rights of others. The Company has obtained and is negotiating licenses to produce a number of cytokines and related products claimed to be owned by others. Since the Company has not conducted a patent infringement study for each of its products, it is possible that products of the Company may unintentionally infringe patents of third parties or that the Company may have to alter its products or processes, pay licensing fees or cease certain activities because of patent rights of third parties, thereby causing additional unexpected costs and delays which may have a material adverse effect on the Company.

The Company's expansion strategies, which include internal development of new products, collaborations, investments in joint ventures and companies developing new products related to the Company's business, and the acquisition of companies for new products and additional customer base, carry risks that objectives will not be achieved and future earnings will be adversely affected. During the early development stage, under the equity method of accounting, a percentage of the losses of certain companies in which the Company invests will be reported as losses of the Company. The Company may not have control of the expense levels of such companies and their losses may be greater than those anticipated by the Company.

Ongoing research and development activities and the production and marketing of

certain of the Company's products are subject to regulation by numerous governmental authorities in the United States and other countries. The approval process applicable to clinical diagnostic products of the type that may be developed by the Company may take a year or more. Delays in obtaining approvals could adversely affect the marketing of new products developed by the Company.

Recruiting and retaining qualified scientific and production personnel to perform research and development work and product manufacturing are critical to the Company's success. The Company's anticipated growth and its expected expansion into areas and activities requiring additional expertise will require the addition of new personnel and the development of additional expertise by existing personnel. The failure to attract and retain such personnel could adversely affect the Company's business.

For additional information on risks and uncertainties, see the Company's periodic reports filed with the Securities and Exchange Commission.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At the end of fiscal 2003, the Company had a professionally managed investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of \$78,130,269 (see Note A of Notes to Consolidated Financial Statements). These securities, like all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase.

The Company operates internationally, and thus is subject to potentially adverse movements in foreign currency rate changes. The Company is exposed to market risk from foreign exchange rate fluctuations of the euro and the British pound to the U.S. dollar as the financial position and operating results of the Company's U.K. and German subsidiaries are translated into U.S. dollars for consolidation. The Company's exposure to foreign exchange rate fluctuations also arises from transferring funds from the U.K. subsidiary to the U.S. parent and from transferring funds from the German subsidiary to the U.K. subsidiary. At June 30, 2003 and 2002, the Company had \$358,195 and \$397,349 dollar denominated intercompany debt at its U.K. subsidiary and the U.K. subsidiary had \$295,242 and \$37,291 dollar denominated intercompany debt at its German subsidiary. These intercompany balances are revolving in nature and are not deemed to be long-term balances. The Company's U.K. subsidiary recognized net foreign currency gains of 223,938 pounds (\$356,554) and 242,614 pounds (\$351,548) for the years ended June 30, 2003 and 2002, respectively. The currency gains were primarily the result of a strong British pound compared to the euro. 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.

As of June 30, 2003, the Company's long-term debt consisted of a mortgage note payable. The interest rate on the mortgage was fixed at 7% through November 2002. The terms of the note payable were modified in December 2002 to include a floating interest rate at the one month London interbank offered rate (Libor) plus 2.5% with a floor of 4%. The floating interest rate on the mortgage note payable was below the 4% floor as of June 30, 2003.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF EARNINGS TECHNE CORPORATION AND SUBSIDIARIES

	YEAR ENDED JUNE 30,		
	2003	2002	2001
Net sales	\$145,010,900	\$130,900,395	\$115,356,562
Cost of sales	35,396,174	32,507,846	28,424,906
Gross margin	109,614,726	98,392,549	86,931,656
Operating expenses:			

Selling, general and administrative	19,376,538	19,799,221	17,361,179
Research and development	20,581,343	17,470,267	14,522,233
Amortization of intangible assets (Note D)	1,939,250	8,549,246	8,889,254
Litigation settlement (Note F)	--	17,500,000	--
Interest expense	973,780	1,320,479	1,381,276
Interest income	(2,933,348)	(3,737,307)	(3,383,698)
Other non-operating expense (income), net	121,870	(245,026)	353,036
	<u>40,059,433</u>	<u>60,656,880</u>	<u>39,123,280</u>
Earnings before income taxes	69,555,293	37,735,669	47,808,376
Income taxes (Note H)	24,159,000	10,606,000	13,763,000
Net earnings	<u>\$ 45,396,293</u>	<u>\$ 27,129,669</u>	<u>\$ 34,045,376</u>
Earnings per share:			
Basic	\$ 1.10	\$ 0.65	\$ 0.82
Diluted	\$ 1.08	\$ 0.64	\$ 0.80
Weighted average common shares outstanding:			
Basic	41,237,473	41,507,727	41,438,670
Diluted	42,031,510	42,522,664	42,668,236

See Notes to Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEETS
TECHNE CORPORATION AND SUBSIDIARIES

JUNE 30,
2003 2002

ASSETS

Current assets:		
Cash and cash equivalents	\$ 39,371,062	\$ 26,392,480
Short-term available-for-sale investments (Note A)	78,130,269	70,671,341
Trade accounts receivable, less allowance for doubtful accounts of \$268,000 and \$263,000, respectively	18,386,603	16,913,002
Interest receivable	2,053,667	2,500,616
Inventories (Note B)	6,332,248	6,077,035
Deferred income taxes (Note H)	4,237,000	3,762,000
Prepaid expenses	1,003,888	915,854
Income taxes receivable	--	1,845,421
Total current assets	<u>149,514,737</u>	<u>129,077,749</u>
Property and equipment, net (Note C)	81,166,311	70,312,602
Goodwill, net (Note D)	12,540,000	12,540,000
Intangible assets, net (Note D)	4,417,750	6,357,000
Deferred income taxes (Note H)	8,715,000	9,400,000
Other long-term assets (Notes A and F)	6,923,330	10,559,608
	<u>\$263,277,128</u>	<u>\$238,246,959</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Trade accounts payable	\$ 2,215,928	\$ 4,326,359
Salaries, wages and related accounts	1,780,607	2,873,505
Other accounts payable and accrued expenses	2,605,593	6,480,023
Income taxes payable	2,971,984	--
Current portion of long-term debt (Note E)	1,233,921	949,637
Total current liabilities	<u>10,808,033</u>	<u>14,629,524</u>
Long-term debt, less current portion (Note E)	15,851,901	17,100,652
Total liabilities	<u>26,659,934</u>	<u>31,730,176</u>

Commitments and contingencies (Note F)		
Stockholders' equity (Note G):		
Undesignated capital stock, no par; authorized 5,000,000 shares; none issued or outstanding	--	--
Common stock, par value \$.01 a share; authorized 100,000,000 shares; issued and outstanding 40,913,226 and 41,562,136 shares, respectively	409,132	415,621
Additional paid-in capital	63,279,243	58,584,103
Retained earnings	169,808,690	147,369,149
Accumulated other comprehensive income	3,120,129	147,910
Total stockholders' equity	236,617,194	206,516,783
	<u>\$263,277,128</u>	<u>\$238,246,959</u>

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
TECHNE CORPORATION AND SUBSIDIARIES

<TABLE>
<CAPTION>

ACCUM.

OTHER

COMPRE-

ADDITIONAL

HENSIVE

INCOME

(LOSS)

TOTAL

COMMON STOCK

PAID-IN

RETAINED

SHARES

AMOUNT

CAPITAL

EARNINGS

<S>

<C>

<C>

<C>

<C>

<C>

<C>

<C>

Balances at June 30, 2000 41,381,998 \$413,820 \$52,857,444 \$ 88,336,230 \$
(462,116) \$141,145,378

Comprehensive income:

Net earnings -- -- -- 34,045,376

-- 34,045,376

Other comprehensive

loss, net of tax:

Foreign currency trans-

lation adjustments -- -- -- --

(884,262) (884,262)

Comprehensive income

33,161,114

Common stock issued for
exercise of options

(Note G) 90,616 906 822,540 --

-- 823,446

Surrender and retirement

of stock to exercise

options (Note L) (224) (2) -- (8,552)

-- (8,554)

Repurchase and retirement

of common stock (40,000) (400) -- (1,163,368)

-- (1,163,768)

Sale of stock by equity

method investee (Note A) -- -- 3,387,652 --

-- 3,387,652

Tax benefit from exercise of stock options	--	--	315,000	--
-- 315,000				

Balances at June 30, 2001	41,432,390	414,324	57,382,636	121,209,686
(1,346,378) 177,660,268				
Comprehensive income:				
Net earnings	--	--	--	27,129,669
-- 27,129,669				
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	--	--	--	--
1,494,288 1,494,288				

Comprehensive income				28,623,957
Common stock issued for exercise of options (Note G)	167,400	1,674	555,467	--
-- 557,141				
Surrender and retirement of stock to exercise options (Note L)	(7,654)	(77)	--	(224,891)
-- (224,968)				
Repurchase and retirement of common stock	(30,000)	(300)	--	(745,315)
-- (745,615)				
Tax benefit from exercise of stock options	--	--	646,000	--
-- 646,000				

Balances at June 30, 2002	41,562,136	415,621	58,584,103	147,369,149
147,910 206,516,783				
Comprehensive income:				
Net earnings	--	--	--	45,396,293
-- 45,396,293				
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	--	--	--	--
2,028,219 2,028,219				
Unrealized gains on available-for-sale investments	--	--	--	--
944,000 944,000				

Comprehensive income				48,369,512
Common stock issued for exercise of options (Note G)	391,682	3,917	2,893,140	--
-- 2,897,057				
Surrender and retirement of stock to exercise options (Note L)	(14,092)	(141)	--	(454,445)
-- (454,586)				
Repurchase and retirement of common stock	(1,026,500)	(10,265)	--	(22,502,307)
-- (22,512,572)				
Tax benefit from exercise of stock options	--	--	1,802,000	--
-- 1,802,000				

Balances at June 30, 2003	40,913,226	\$409,132	\$63,279,243	\$169,808,690
\$3,120,129 \$236,617,194				
=====				
=====				

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (NOTE L)
TECHNE CORPORATION AND SUBSIDIARIES

YEAR ENDED JUNE 30,
2003 2002 2001

	2003	2002	2001
Cash flows from operating activities:			
Net earnings	\$ 45,396,293	\$ 27,129,669	\$ 34,045,376
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	6,352,847	12,687,915	12,737,448
Deferred income taxes	232,000	(6,292,000)	(508,000)
Losses by equity method investees	3,187,902	1,855,450	499,687
Other	538,999	589,782	420,035
Change in operating assets and operating liabilities:			
Trade accounts and interest receivable	(638,405)	(855,339)	(3,036,047)
Inventories	(173,139)	(560,517)	(846,902)
Prepaid expenses	(62,374)	(210,042)	(153,452)
Trade and other accounts payable	(6,081,519)	(2,829,566)	(2,867,638)
Salaries, wages and related accounts	(1,116,295)	553,404	(680,839)
Income taxes payable/receivable	6,452,586	(4,401,529)	6,762,043
Net cash provided by operating activities	54,088,895	27,667,227	46,371,711
Cash flows from investing activities:			
Additions to property and equipment	(15,193,756)	(22,276,262)	(6,814,953)
Purchase of short-term available-for-sale investments	(64,560,000)	(64,679,571)	(57,177,268)
Proceeds from sale of short-term available-for-sale investments	58,045,072	69,812,307	23,841,374
Real estate deposits	--	(1,999,000)	--
Increase in other long-term assets	--	(3,259,103)	(500,000)
Net cash used in investing activities	(21,708,684)	(22,401,629)	(40,650,847)
Cash flows from financing activities:			
Issuance of common stock	2,442,471	332,173	814,892
Repurchase of common stock	(22,512,572)	(745,615)	(1,163,768)
Payments on long-term debt	(964,467)	(884,760)	(824,315)
Net cash used in financing activities	(21,034,568)	(1,298,202)	(1,173,191)
Effect of exchange rate changes on cash and cash equivalents	1,632,939	1,157,293	(635,990)
Net increase in cash and cash equivalents	12,978,582	5,124,689	3,911,683
Cash and cash equivalents at beginning of year	26,392,480	21,267,791	17,356,108
Cash and cash equivalents at end of year	\$ 39,371,062	\$ 26,392,480	\$ 21,267,791

See Notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
TECHNE CORPORATION AND SUBSIDIARIES

Years Ended June 30, 2003, 2002 and 2001

A. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF BUSINESS: TECHNE Corporation and Subsidiaries (the Company) are engaged domestically in the development and manufacture of biotechnology products and hematology calibrators and controls. These activities are primarily conducted through its wholly owned subsidiary, Research and Diagnostic (R&D) Systems, Inc. Through its wholly owned U.K. subsidiary, R&D Systems Europe Ltd., the Company distributes biotechnology products throughout Europe. R&D Systems Europe Ltd. has a sales subsidiary, R&D Systems GmbH, in Germany. The Company's foreign sales corporation, Techne Export Inc., was dissolved in fiscal 2002.

ESTIMATES: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RISK AND UNCERTAINTIES: There are no concentrations of business transacted with a particular customer or supplier nor concentrations of revenue from a particular product or geographic area that would severely impact the Company in the near term.

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

TRANSLATION OF FOREIGN FINANCIAL STATEMENTS: Assets and liabilities of the Company's foreign operations are translated at year-end rates of exchange and the foreign statements of earnings are translated at the average rate of exchange for the year. Gains and losses resulting from translating foreign currency financial statements are not included in operations but are accumulated in other comprehensive income. Foreign currency transaction gains and losses are included in operations.

REVENUE RECOGNITION: The Company recognizes revenues upon shipment of products. Payment terms for shipments to end-users are net 30 days. Payment terms for distributor shipments may range from 30 to 90 days. Products are shipped FOB shipping point. Freight charges billed to end-users are included in net sales and freight costs are included in cost of sales. Freight charges on shipments to distributors are paid directly by the distributor. Any claims for credit or return of goods must be made within 10 days of receipt. Revenues are reduced to reflect estimated credits and returns.

RESEARCH AND DEVELOPMENT: Research and development expenditures are expensed as incurred. Development activities generally relate to creating new products, improving or creating variations of existing products, or modifying existing products to meet new applications. Included in research and development expense is the Company's share of losses by development stage companies in which it has invested due to the Company's obtaining research market rights to products developed by the investee companies. (See INVESTMENTS below).

INCOME TAXES: The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized to record the income tax effect of temporary differences between the tax basis and financial reporting basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

CASH AND EQUIVALENTS: Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of less than three months.

SHORT-TERM INVESTMENTS: Short-term investments consist of debt instruments with original maturities of generally three months to three years. The Company

considers all of its marketable securities available-for-sale and reports them at fair market value. Fair market values are based on quoted market prices. Unrealized gains and losses on available-for-sale securities are excluded from income, but are included in other comprehensive income.

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At June 30, 2003 and 2002, the amortized cost and market value of the Company's available-for-sale securities by major security type were as follows:

	JUNE 30,			
	2003		2002	
	Cost	Market	Cost	Market
State and municipal securities	\$77,186,269	\$78,130,269	\$68,583,472	\$68,583,472
Corporate securities	--	--	2,087,869	2,087,869
	77,186,269	78,130,269	70,671,341	70,671,341
Unrealized gains	944,000	--	--	--
	<u>\$78,130,269</u>	<u>\$78,130,269</u>	<u>\$70,671,341</u>	<u>\$70,671,341</u>

Contractual maturities of available-for-sale securities are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to recall or prepay obligations with or without call or prepayment penalties.

YEAR ENDING JUNE 30:

Due within one year	\$31,529,481
Due in one to three years	46,600,788
	<u>\$78,130,269</u>

Proceeds from maturities and sales of available-for-sale securities were \$58,045,072, \$69,812,307 and \$23,841,374 during fiscal 2003, 2002 and 2001, respectively. There were no material gross realized gains or losses on these sales. Realized gains and losses are determined on the specific identification method.

INVENTORIES: Inventories are stated at the lower of cost (first-in, first-out method) or market. The Company regularly reviews inventory on hand for slow-moving and obsolete inventory, inventory not meeting quality control standards and inventory subject to expiration. The manufacturing process for proteins and antibodies has and may continue to produce quantities in excess of forecasted usage. Individual protein and antibody sales volumes can be volatile and the Company believes that forecasting sales volumes for individual products beyond a two-year period is highly uncertain. As a result, the Company values its manufactured protein and antibody inventory based on a two-year sales forecast.

DEPRECIATION AND AMORTIZATION: Equipment is depreciated using the straight-line method over an estimated useful life of five years. Buildings, building improvements and leasehold improvements are amortized over estimated useful lives of five to forty years.

GOODWILL AND INTANGIBLE ASSETS: On July 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, under which goodwill is no longer amortized. (See Note D). As of June 30, 2002 the Company had net unamortized goodwill of \$12,540,000. The Company assessed the recoverability of its goodwill and other intangible assets and determined that no impairment of goodwill existed at June 30, 2002. The Company completed its annual impairment testing of goodwill and concluded that no impairment existed as of June 30, 2003. The Company used cash flow and fair value methodologies to assess impairment. Other intangible assets are being amortized over their estimated useful lives.

IMPAIRMENT OF LONG-LIVED ASSETS: Management periodically reviews the carrying value of long-term assets based on the estimated undiscounted future cash flows

expected to result from the use of these assets. Should the sum of the expected future net cash flows be less than the carrying value, an impairment loss would be recognized. An impairment loss would be measured by the amount by which the carrying value of the asset exceeds the fair value of the asset based on discounted estimated future cash flows. To date, management has determined that no impairment exists.

INVESTMENTS: The Company's accounting policy is to recognize gains arising from issuances of stock by subsidiaries or equity method investees as a component of stockholders' equity for all issuances that meet the conditions of SEC Staff Accounting Bulletin (SAB) No. 51, ACCOUNTING FOR THE SALE OF STOCK BY A SUBSIDIARY.

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The Company has invested in the Preferred Stock (Series A) of ChemoCentryx, Inc. (CCX), a technology and drug development company. Through January 2001 the Company had a 49% interest in CCX, accounted for this investment under the equity method of accounting and included 100% of the operating results of CCX in its consolidated financial statements due to the limited amount of cash consideration provided by the holders of the common shares of CCX. In February 2001, CCX obtained \$23 million in financing through the issuance of 8,846,154 shares of Series B Preferred Stock. After this financing and through June 30, 2003, the Company held 26% of the outstanding stock of CCX and included CCX operating results in its consolidated financial statements based on its ownership percentage. The Company's net investment in CCX, which is included in other long-term assets, was \$2,511,023 and \$5,091,046 at June 30, 2003 and 2002, respectively. The Company has been issued warrants for 1,666,665 shares of CCX Preferred Stock (Series A) which expire on December 31, 2005.

On August 2, 2001, the Company made an equity investment of \$3 million in Discovery Genomics, Inc. (DGI) Series A Preferred Stock. DGI holds licenses from the University of Minnesota to develop technologies used for functional genomics and the discovery of drug targets. The Company holds a 39% equity interest in DGI and accounts for this investment under the equity method of accounting. The Company's net investment in DGI, which is included in other long-term assets, was \$1,887,106 and \$2,494,985 at June 30, 2003 and 2002, respectively. The Company has been issued warrants for 1.5 million shares of DGI Preferred Stock (Series A) which expire on August 2, 2008.

The Company has financial exposure to the losses of CCX and DGI to the extent of its net investment in each of the companies. The Company does not provide loans, guarantees or other financial assistance to either CCX or DGI and has no obligation to provide additional funding.

STOCK OPTIONS: As permitted by Statement of Financial Accounting Standards (SFAS) No. 123, the Company has elected to continue following the guidance of Accounting Principles Board (APB) Opinion No. 25 for measurement and recognition of stock-based transactions with employees. No compensation cost has been recognized for stock options granted to employees under the plans because the exercise price of all options granted was at least equal to the fair value of the common stock at the date of grant.

If compensation cost for employee options granted under the Company's stock option plans had been determined based on the fair value at the grant dates, consistent with the methods provided in SFAS No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, the Company's net earnings and earnings per share would have been as follows:

	YEAR ENDED JUNE 30,		
	2003	2002	2001
Net earnings:			
As reported	\$45,396,293	\$27,129,669	\$34,045,376
Less employee stock-based compensation, net of taxes		609,056	1,130,813
			17,421,280
Pro forma	\$44,787,237	\$25,998,856	\$16,624,096
Basic earnings per share:			
As reported	\$ 1.10	\$ 0.65	\$ 0.82
Less employee stock-based			

compensation, net of taxes	0.01	0.02	0.42
Pro forma	\$ 1.09	\$ 0.63	\$ 0.40
Diluted earnings per share:			
As reported	\$ 1.08	\$ 0.64	\$ 0.80
Less employee stock-based compensation, net of taxes	0.01	0.03	0.41
Pro forma	\$ 1.07	\$ 0.61	\$ 0.39

The fair value of options granted under the Company's stock option plans were estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used:

	YEAR ENDED JUNE 30,		
	2003	2002	2001
Dividend yield	--	--	--
Expected volatility	48%-52%	56%-73%	96%-98%
Risk-free interest rates	4.2%-4.5%	4.6%-5.3%	5.8%-6.2%
Expected lives	7-10 years	7-10 years	7-10 years

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DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES: The Company has determined that it has no free-standing or embedded derivatives. All contracts that contain provisions meeting the definition of a derivative also meet the requirements of, and have been designated as, normal purchases or sales. The Company's policy is to not use free-standing derivatives and to not enter into contracts with terms that cannot be designated as normal purchases or sales.

NEW ACCOUNTING PRONOUNCEMENTS: In December 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION-TRANSITION AND DISCLOSURE, an amendment of SFAS No. 123. This statement provides alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based compensation. The statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The Company accounts for stock-based compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and complies with the disclosure provisions of SFAS No. 123. The transition provisions are effective for fiscal years ending after December 15, 2002. The disclosure provisions are effective for interim periods beginning after December 15, 2002. The Company implemented the required disclosure provisions in Form 10-Q for the quarter ended March 31, 2003.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), CONSOLIDATION OF VARIABLE INTEREST ENTITIES. FIN 46 addresses the consolidation by businesses of variable interest entities and requires businesses to consolidate a variable interest entity if it has a variable interest that will absorb a majority of the entity's expected losses if they occur, or receive a majority of the entity's expected returns if they occur, or both. FIN 46 became effective for variable interest entities created after January 31, 2003. For variable interest entities created prior to January 31, 2003, the provisions of FIN 46 are applicable to the Company for the quarter ended September 30, 2003. The Company is currently assessing the impact of FIN 46 on its consolidated financial statements.

RECLASSIFICATIONS: Certain reclassifications have been made to prior years' consolidated financial statements to conform to the current year presentation. These reclassifications had no impact on net earnings or stockholders' equity as previously reported.

B. INVENTORIES:

Inventories consist of:

	JUNE 30,	
	2003	2002
Raw materials	\$2,618,416	\$2,785,949
Finished goods	3,595,307	3,172,191
Supplies	118,525	118,895
	<u>\$6,332,248</u>	<u>\$6,077,035</u>

C. PROPERTY AND EQUIPMENT:

Property and equipment consist of:

	JUNE 30,	
	2003	2002
Cost:		
Land	\$ 2,998,800	\$ 1,571,000
Buildings and improvements	64,929,703	63,541,408
Building construction in progress	18,310,549	7,728,660
Laboratory equipment	16,372,038	16,694,898
Office and computer equipment	3,105,906	4,263,512
Leasehold improvements	537,221	497,087
	<u>106,254,217</u>	<u>94,296,565</u>
Less accumulated depreciation and amortization	25,087,906	23,983,963
	<u>\$ 81,166,311</u>	<u>\$ 70,312,602</u>

In December 2002, the Company purchased approximately 649 acres of farmland, including buildings, in southeast Minnesota for \$2.7 million. The property was purchased to house goats used in the Company's polyclonal antibody production.

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D. GOODWILL AND INTANGIBLE ASSETS:

Goodwill and intangible assets consist of:

	JUNE 30,		
	USEFUL LIFE	2003	2002
Goodwill	N/A	\$38,845,547	\$38,845,547
Less accumulated amortization		26,305,547	26,305,547
		<u>\$12,540,000</u>	<u>\$12,540,000</u>
Customer list	10 years	\$18,010,000	\$18,010,000
Technology licensing agreements	16 years	500,000	500,000
Acquisition costs	6 years	273,923	273,923
		<u>18,783,923</u>	<u>18,783,923</u>
Less accumulated amortization		14,366,173	12,426,923
		<u>\$ 4,417,750</u>	<u>\$ 6,357,000</u>

The pro forma effects of implementation of SFAS No. 142 to prior periods would be as follows:

	JUNE 30,	
	2003	2002
Reported net earnings	\$27,129,669	\$34,045,376
Goodwill amortization, net of tax	4,076,000	4,076,000

Adjusted net earnings	\$31,205,669	\$38,121,376
Reported basic earnings per share	\$ 0.65	\$ 0.82
Goodwill amortization	0.10	0.10
Adjusted basic earnings per share	\$ 0.75	\$ 0.92
Reported diluted earnings per share	\$ 0.64	\$ 0.80
Goodwill amortization	0.09	0.09
Adjusted diluted earnings per share	\$ 0.73	\$ 0.89

The estimated future amortization expense for other intangible assets as of June 30, 2003 is as follows:

YEAR ENDING JUNE 30:

2004	\$1,598,792
2005	1,221,250
2006	881,250
2007	541,250
2008	175,208

	\$4,417,750
	=====

E. DEBT:

The Company's short-term line of credit facility consists of an unsecured line of credit of \$750,000 at June 30, 2003. The line of credit expires on October 31, 2003. The interest rate charged on the line of credit is at the prime rate (4.0% at June 30, 2003). There were no borrowings on the line outstanding as of June 30, 2003 and 2002.

Long-term debt consists of:

	JUNE 30,	
	2003	2002
	-----	-----
Mortgage note, payable in monthly		
Installments through August 2014	\$17,085,822	\$18,050,289
Less current portion	1,233,921	949,637
	-----	-----
	\$15,851,901	\$17,100,652
	=====	=====

The interest rate on the mortgage note was fixed at 7% through November 2002. The terms of the original note were modified in December 2002 to include a floating interest rate at the one month London interbank offered rate (Libor) plus 2.5% with a floor of 4%. The floating interest rate on the mortgage note payable was below the 4% floor as of June 30, 2003.

Scheduled principal maturities of long-term debt as of June 30, 2003 assuming a 4% interest rate are as follows:

YEAR ENDING JUNE 30:

2004	\$ 1,233,921
2005	1,286,283
2006	1,339,429
2007	1,394,772
2008	1,451,181
Thereafter	10,380,236

	\$17,085,822
	=====

F. COMMITMENTS AND CONTINGENCIES:

The Company leases buildings, vehicles and various data processing, office and

laboratory equipment under operating leases. These leases provide for renewal or purchase options during or at the end of the lease periods. At June 30, 2003, aggregate net minimum rental commitments under noncancelable leases having an initial or remaining term of more than one year are payable as follows:

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YEAR ENDING JUNE 30:

2004	\$ 491,007
2005	474,789
2006	464,075
2007	430,858
2008	422,090
Thereafter	3,376,719

	\$5,659,538
	=====

Total rent expense was approximately \$554,000, \$406,000 and \$337,000 for the years ended June 30, 2003, 2002 and 2001, respectively.

In fiscal 1999, the Company entered into an option agreement for real estate adjacent to its R&D Systems facility. The purchase price for the property under the option is \$7 million plus capital improvement costs. This option expires on January 1, 2005 and required a nonrefundable deposit of \$2 million. A deposit of \$1,000 was made on this option in fiscal 2000 with the remainder of the deposit made in fiscal 2002. The deposit is included in other long-term assets.

Portions of the Company's short-term available-for-sale investments were held in brokerage accounts carried by a clearing firm which in September 2001 was placed in bankruptcy. Through June 30, 2003, the trustee appointed pursuant to the Securities Investor Protection Act released to the Company cash and securities representing approximately 99% of the total value of the accounts and has withheld securities and cash equivalents in the amount of approximately \$250,000 pending resolution of the bankruptcy proceeding. Management believes that all of its securities and cash equivalents will be returned to the Company as the trustee has available the assets of customers' accounts, SIPC insurance and third-party insurance. Accordingly, no impairment loss has been recognized at this time.

The Company is routinely subject to claims and involved in legal actions which are incidental to the business of the Company. Although it is difficult to predict the ultimate outcome of these matters, management believes that any ultimate liability will not materially affect the consolidated financial position or results of operations of the Company.

The litigation settlement in fiscal 2002 arose from a dispute between the Company and Amgen, Inc. Amgen had presented invoices in fiscal 2000 in the amount of \$28 million for materials provided to the Company over past years for which no accounting or invoices were rendered for nine years. The \$17.5 million payment in fiscal 2002 was a full, complete and final cash settlement of the dispute.

G. STOCKHOLDERS' EQUITY:

STOCK OPTION PLANS: The Company has stock option plans which provide for the granting of stock options to employees (the TECHNE Corporation 1997 and 1987 Incentive Stock Option Plans) and to employees, officers, directors and consultants (the TECHNE Corporation 1998 and 1988 Nonqualified Stock Option Plans). The plans are administered by the Board of Directors, or a committee designated by the Board, which determines the persons who are to receive awards under the plans, the number of shares subject to each award and the term and exercise price of each option. The maximum term of options granted under all plans is ten years. The number of shares of common stock authorized to be issued is 3.2 million, 3.2 million, 1.6 million and 2.0 million under the 1997 Plan, the 1987 Plan, the 1998 Plan and the 1988 Plan, respectively. The number of shares available for grant at June 30, 2003 under the 1997 and 1998 Plans were 2.5 million and 1.1 million, respectively. No future grants will be made under the 1987 and 1988 Plans.

Stock option activity during the three years ended June 30, 2003 consists of the following:

	WEIGHTED AVERAGE SHARES	EXERCISE PRICE
Outstanding at June 30, 2000	1,417,340	\$ 7.02
Granted	593,098	38.23
Canceled	(15,348)	37.44
Exercised	(90,616)	9.09
Outstanding at June 30, 2001	1,904,474	16.40
Granted	33,108	29.42
Canceled	(24,104)	36.50
Exercised	(167,400)	3.33
Outstanding at June 30, 2002	1,746,078	17.62
Granted	33,460	30.40
Canceled	(31,096)	36.50
Exercised	(391,682)	7.40
Outstanding at June 30, 2003	1,356,760	20.45
Options exercisable at June 30:		
2001	1,804,328	15.76
2002	1,684,860	17.22
2003	1,349,862	20.37

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Currently outstanding and exercisable stock options at June 30, 2003 consist of the following:

OPTIONS OUTSTANDING			
EXERCISE PRICES	WEIGHTED AVG. CONTRACTUAL OUTSTANDING	WEIGHTED AVG. LIFE (YRS.)	EXERCISE PRICE
\$ 3.37-10.00	675,892	2.92	\$ 5.94
10.01-20.00	99,098	6.00	19.50
20.01-36.50	520,340	4.67	35.66
50.00-65.00	61,430	7.25	52.94
	1,356,760	4.00	20.45

OPTIONS EXERCISABLE		
EXERCISE PRICES	WEIGHTED AVG. EXERCISABLE	EXERCISE PRICE
\$ 3.37-10.00	675,892	\$ 5.94
10.01-20.00	99,098	19.50
20.01-36.50	513,442	35.65
50.00-65.00	61,430	52.94
	1,349,862	20.37

WARRANTS: In fiscal 2000, the Company issued warrants to purchase 120,000 shares of the Company's common stock at \$11.89 per share as a nonrefundable deposit on an option to purchase property adjacent to its R&D Systems' facility. The fair market value of the warrants at issuance was \$858,000. The warrants are outstanding as of June 30, 2003 and expire on June 30, 2006.

H. INCOME TAXES:

The provisions for income taxes consist of the following:

YEAR ENDED JUNE 30,		
2003	2002	2001

Earnings before income taxes consist of:			
Domestic	\$59,215,811	\$31,214,045	\$42,480,134
Foreign	10,339,482	6,521,624	5,328,242
	<u>\$69,555,293</u>	<u>\$37,735,669</u>	<u>\$47,808,376</u>

Taxes (benefits) on income consist of:			
Currently payable:			
Federal	\$18,319,000	\$14,408,000	\$13,578,000
State	380,000	11,000	(1,173,000)
Foreign	3,448,000	1,855,000	1,513,000
Tax benefit from exercise of stock options	1,802,000	646,000	315,000
Net deferred	210,000	(6,314,000)	(470,000)
	<u>\$24,159,000</u>	<u>\$10,606,000</u>	<u>\$13,763,000</u>

The following is a reconciliation of the federal tax calculated at the statutory rate of 35% to the actual income taxes provided:

	YEAR ENDED JUNE 30,		
	2003	2002	2001
Computed expected federal income tax expense	\$24,344,000	\$13,207,000	\$16,733,000
State income taxes, net of federal benefit	494,000	8,000	(1,175,000)
Foreign sales corporation	--	--	(697,000)
Extraterritorial income benefit	(937,000)	(892,000)	--
Research and development credits	(347,000)	(373,000)	(525,000)
Tax-exempt interest	(735,000)	(1,005,000)	(887,000)
Losses by equity method investees	1,116,000	649,000	175,000
Other	224,000	(988,000)	140,000
	<u>\$24,159,000</u>	<u>\$10,606,000</u>	<u>\$13,763,000</u>

State income taxes for the year ended June 30, 2001 were affected by a one-time \$1.2 million credit as a result of the close-out of pending issues related to a state income tax examination for fiscal years 1996 through 1999.

Temporary differences comprising deferred taxes on the consolidated balance sheets are as follows:

	JUNE 30,	
	2003	2002
Inventory	\$ 2,723,000	\$ 2,334,000
Inventory costs capitalized	1,012,000	903,000
Unrealized profit on intercompany sales	351,000	346,000
Other	151,000	179,000
Current asset	<u>4,237,000</u>	<u>3,762,000</u>
Excess of book over tax intangible asset amortization	7,958,000	8,728,000
Excess of book over tax research expense	309,000	246,000
Excess of book over tax depreciation	551,000	603,000
Excess tax basis in equity investments	1,353,000	155,000
Valuation allowance	(1,353,000)	(155,000)
Other	(103,000)	(177,000)
Noncurrent asset	<u>8,715,000</u>	<u>9,400,000</u>
	<u>\$12,952,000</u>	<u>\$13,162,000</u>

Realization of the deferred tax asset is dependent on generating sufficient taxable income. Although realization is not assured, management believes that as a result of historical taxable income, it is more likely than not that the recorded deferred tax asset, net of valuation allowance provided for the excess

tax basis in equity investments, will be realized.

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The Company's tax returns are subject to audit by various governmental entities in the normal course of business. The Company does not believe that such audits will have a material impact on the Company's financial position or results of operations.

I. EARNINGS PER SHARE:

The number of shares used to calculate earnings per share are as follows:

	YEAR ENDED JUNE 30,		
	2003	2002	2001
Net earnings used for basic and diluted earnings per share	\$45,396,293	\$27,129,669	\$34,045,376
Weighted average shares used in basic computation	41,237,473	41,507,727	41,438,670
Dilutive stock options and warrants	794,037	1,014,937	1,229,566
Weighted average shares used for diluted computation	42,031,510	42,522,664	42,668,236
Basic EPS	\$ 1.10	\$ 0.65	\$ 0.82
Diluted EPS	\$ 1.08	\$ 0.64	\$ 0.80

The dilutive effect of stock options and warrants in the above table excludes all options for which the exercise price was higher than the average market price for the period. The number of potentially dilutive option shares excluded from the calculation were 581,770, 579,406 and 570,402 at June 30, 2003, 2002 and 2001, respectively.

J. SEGMENT INFORMATION:

The Company has three reportable operating segments based on the nature of products and geographic location: Hematology Division, Biotechnology Division and R&D Systems Europe. The Hematology Division develops and manufactures hematology controls and calibrators for sale world-wide. The Biotechnology Division develops and manufactures biotechnology research and diagnostic products for sale world-wide. R&D Systems Europe distributes Biotechnology Division products throughout Europe. No customer accounted for more than 10% of the Company's net sales for the years ended June 30, 2003, 2002 and 2001.

The accounting policies of the segments are the same as those described in Note A. In evaluating segment performance, management focuses on sales and earnings before taxes.

Following is financial information relating to the operating segments:

	YEAR ENDED JUNE 30,		
	2003	2002	2001
External net sales			
Hematology	\$ 16,666,038	\$ 15,570,656	\$ 14,710,464
Biotechnology	90,964,494	84,654,661	73,656,405
R&D Systems Europe	37,380,368	30,675,078	26,989,693
Total external net sales	\$145,010,900	\$130,900,395	\$115,356,562
Intersegment sales			
Hematology	\$ --	\$ --	\$ --
Biotechnology	18,130,542	16,726,082	15,010,487
R&D Systems Europe	40,255	56,880	77,237
Total intersegment sales	\$ 18,170,797	\$ 16,782,962	\$ 15,087,724
Earnings before taxes			
Hematology	\$ 5,937,827	\$ 5,094,411	\$ 5,057,119

Biotechnology	58,467,852	47,776,492	39,766,406
R&D Systems Europe	10,339,482	6,521,624	5,328,242
Corporate and other	(5,189,868)	(21,656,858)	(2,343,391)
	-----	-----	-----
Total earnings before taxes	\$ 69,555,293	\$ 37,735,669	\$ 47,808,376
	=====	=====	=====
Interest income			
Hematology	\$ 353,444	\$ 444,749	\$ 508,149
Biotechnology	1,725,641	2,520,245	2,032,596
R&D Systems Europe	714,306	539,228	552,245
Corporate and other	139,957	233,085	290,708
	-----	-----	-----
Total interest income	\$ 2,933,348	\$ 3,737,307	\$ 3,383,698
	=====	=====	=====
Depreciation and amortization			
Hematology	\$ 354,899	\$ 315,987	\$ 239,909
Biotechnology	4,105,713	10,780,188	11,028,893
R&D Systems Europe	288,335	251,649	174,940
Corporate and other	1,603,900	1,340,091	1,293,706
	-----	-----	-----
Total depreciation and amortization	\$ 6,352,847	\$ 12,687,915	\$ 12,737,448
	=====	=====	=====
Capital purchases			
Hematology	\$ 43,129	\$ 831,110	\$ 313,936
Biotechnology	7,798,746	2,332,490	3,472,146
R&D Systems Europe	193,309	201,047	655,430
Corporate and other	7,158,572	18,911,615	2,373,441
	-----	-----	-----
Total capital purchases	\$ 15,193,756	\$ 22,276,262	\$ 6,814,953
	=====	=====	=====

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Corporate and other reconciling items include the results of unallocated corporate expenses and assets, the operations of the Company's equity investments in ChemoCentryx, Inc. and Discovery Genomics, Inc. and the litigation settlement in fiscal 2002.

Following is financial information relating to geographic areas:

	YEAR ENDED JUNE 30,		
	2003	2002	2001
	-----	-----	-----
External sales			
United States	\$ 87,773,839	\$ 80,957,103	\$ 71,018,421
Other areas	57,237,061	49,943,292	44,338,141
	-----	-----	-----
Total external sales	\$145,010,900	\$130,900,395	\$115,356,562
	=====	=====	=====
Long-lived assets			
United States	\$ 82,480,695	\$ 71,615,578	\$ 51,404,348
Other areas	813,905	835,381	815,851
	-----	-----	-----
Total long-lived assets	\$ 83,294,600	\$ 72,450,959	\$ 52,220,199
	=====	=====	=====

External sales are attributed to countries based on the location of the customer/distributor. Long-lived assets are comprised of land, buildings and improvements, equipment and deposits on real estate.

K. BENEFIT PLANS:

PROFIT SHARING PLAN: The Company has a Profit Sharing and Savings Plan for non-union U.S. employees, which conforms to IRS provisions for 401(k) plans. The Company may make profit sharing contributions at the discretion of the Board of Directors. Operations have been charged for contributions to the plan of \$440,000, \$1,022,000 and \$810,000 for the years ended June 30, 2003, 2002 and 2001, respectively.

STOCK BONUS PLANS: The Company also has Stock Bonus Plans covering non-union employees. The Company may make contributions to the plans in the form of common stock, cash or other property at the discretion of the Board of

Directors. The Company purchases its common stock at market value for contribution to the plans. For the years ended June 30, 2003, 2002 and 2001 operations have been charged \$463,000, \$1,081,000 and \$851,000, respectively.

PERFORMANCE INCENTIVE PROGRAM: Under certain employment agreements with executive officers, the Company recorded bonuses of \$68,000, \$98,000 and \$101,000 for the years ended June 30, 2003, 2002 and 2001, respectively. In addition, options for 3,460, 3,108 and 1,938 shares of common stock were granted to the executive officers during fiscal 2003, 2002 and 2001, respectively.

L. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES:

The Company paid and received cash for the following items:

	YEAR ENDED JUNE 30,		
	2003	2002	2001
Income taxes paid	\$ 17,477,244	\$ 21,251,320	\$ 7,508,196
Interest paid	1,022,120	1,325,640	1,386,085
Interest received	3,379,607	3,664,930	3,748,696

In fiscal 2003, stock options for 126,784 shares of common stock were exercised by the surrender of 14,092 shares of common stock at fair market value of \$454,586. In fiscal 2002, stock options for 80,000 shares of common stock were exercised by the surrender of 7,654 shares of common stock at fair market value of \$224,968. In fiscal 2001, stock options for 1,000 shares of common stock were exercised by surrender of 224 shares of common stock at fair market value of \$8,554.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
TECHNE Corporation
Minneapolis, Minnesota

We have audited the accompanying consolidated balance sheet of TECHNE Corporation and Subsidiaries (the Company) as of June 30, 2003, and the related consolidated statements of earnings, stockholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the fiscal 2003 consolidated financial statements present fairly, in all material respects, the consolidated financial position of TECHNE Corporation and Subsidiaries as of June 30, 2003 and the results of their operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note A to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," on July 1, 2002.

/s/ KPMG LLP

Minneapolis, Minnesota
August 8, 2003

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
TECHNE Corporation
Minneapolis, Minnesota

We have audited the accompanying consolidated balance sheet of TECHNE Corporation and Subsidiaries (the Company) as of June 30, 2002, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the two years in the period ended June 30, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of TECHNE Corporation and Subsidiaries as of June 30, 2002 and the results of their operations and cash flows for each of the two years in the period ended June 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
August 13, 2002

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Previously reported on Form 8-K dated November 18, 2002.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Other than "Executive Officers of the Company" which is set forth at the end of Part I of this Form 10-K, the information required by Item 10 is incorporated herein by reference to the sections entitled "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's proxy statement for its 2003 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year for which this report is filed. The Company has adopted a Code of Ethics and Business Conduct applicable to all of its directors, officers and employees. A copy of the Code is posted on the Company's website, www.techne-corp.com.

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ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference to the section entitled "Executive Compensation" in the Company's proxy statement for its 2003 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year for which this report is filed.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 12 is incorporated by reference to the sections entitled "Principal Shareholders", "Management Shareholdings" and "Equity Compensation Plans" in the Company's proxy statement for its 2003 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year for which this report is filed.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

ITEM 14. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 15. AUDIT COMMITTEE FINANCIAL EXPERT

The Audit Committee of the Board of Directors of the Company is composed of Messrs. G. Arthur Herbert and Howard V. O'Connell and Dr. Randolph A. Steer, and since August 11, 2003, Mr. Robert V. Baumgartner. All members are "independent" as such term is defined in applicable rules of the NASD. The Board of Directors has determined that for fiscal 2003, Messrs. Herbert and O'Connell and Dr. Steer served as "financial experts" as such term is defined in Section 407 of the Sarbanes-Oxley Act.

ITEM 16. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 16 does not apply to the Company until it files its Annual Report of Form 10-K for the year ended June 30, 2004.

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PART IV

ITEM 17. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

A. (1) List of Financial Statements.

The following Consolidated Financial Statements are filed as part of this report:

Consolidated Statements of Earnings for the Years Ended
June 30, 2003, 2002 and 2001

Consolidated Balance Sheets as of June 30, 2003 and 2002

Consolidated Statements of Stockholders' Equity for the Years
Ended June 30, 2003, 2002 and 2001

Consolidated Statements of Cash Flows for the Years Ended
June 30, 2003, 2002 and 2001

Notes to Consolidated Financial Statements for the Years
 Ended June 30, 2003, 2002 and 2001

Independent Auditors' Report

(2) Financial Statement Schedules.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNT
 YEARS ENDED JUNE 30, 2003, 2002 AND 2001
 (in 000's)

	Balance at Beginning of Year	Provision Charged/ (Credited) to Income	Balance at End of Accounts Written Off Year	End of Year
Year ended June 30, 2003:				
Allowance for doubtful accounts	\$263	\$ 91	\$ (86)	\$268
Year ended June 30, 2002:				
Allowance for doubtful accounts	126	137	--	263
Year ended June 30, 2001:				
Allowance for doubtful accounts	162	29	(65)	126

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INDEPENDENT AUDITORS' REPORT ON SCHEDULE

Board of Directors and Stockholders
 TECHNE Corporation
 Minneapolis, Minnesota

Under the date of August 8, 2003, we reported on the consolidated balance sheet of TECHNE Corporation and Subsidiaries as of June 30, 2003 and the related consolidated statements of earnings, stockholders' equity and cash flows for the year then ended. In connection with our audit of the aforementioned financial statements, we also have audited the related financial statement schedule for the year ended June 30, 2003 as listed in the accompanying index. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audit. In our opinion, such financial statement schedule for the year ended June 30, 2003, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Our report on the fiscal 2003 consolidated financial statements of TECHNE Corporation and Subsidiaries refers to the Company's adoption of the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," on July 1, 2002.

/s/ KPMG LLP

Minneapolis, Minnesota
 August 8, 2003

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
 TECHNE Corporation
 Minneapolis, Minnesota

We have audited the consolidated financial statements of TECHNE Corporation

and Subsidiaries (the Company) as of June 30, 2002 and for each of the two years in the period ended June 30, 2002, and have issued our report thereon dated August 13, 2002; such consolidated financial statements and report are included in the Company's Annual Report on Form 10-K. Our audits also included the financial statement schedule of the Company for the years ended June 30, 2002 and 2001 listed in Item 17 (2). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule for the years ended June 30, 2002 and 2001, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
August 13, 2002

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(3) Exhibits.

See Exhibit Index immediately following signature page.

B. Reports on Form 8-K:

Form 8-K dated May 1, 2003 furnishing pursuant to Item 12, the Registrant's press release reporting earnings for its third quarter of fiscal 2003.

Form 8-K dated August 12, 2003 furnishing pursuant to Item 12, the Registrant's press release reporting earnings for its fourth quarter of fiscal 2003 and segment information for the year ended June 30, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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

Date: September 26, 2003 /s/ Thomas E. Oland

By: Thomas E. Oland
Its: President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date	Signature and Title
-----	-----
September 26, 2003	/s/ Thomas E. Oland ----- Thomas E. Oland Chairman of the Board, President, Treasurer, Chief Executive Officer, Chief Financial and Accounting Officer and Director
September 26, 2003	/s/ Roger C. Lucas, Ph.D. ----- Dr. Roger C. Lucas Vice Chairman and Director
September 26, 2003	/s/ Howard V. O'Connell -----

Howard V. O'Connell, Director

September 26, 2003 /s/ G. Arthur Herbert

G. Arthur Herbert, Director

September 26, 2003 /s/ Randolph C. Steer, Ph.D., M.D.

Dr. Randolph C. Steer, Director

September 26, 2003 /s/ Christopher S. Henney, Ph.D., D.Sc.

Dr. Christopher S. Henney, Director

September 26, 2003 /s/ Robert V. Baumgartner

Robert V. Baumgartner, Director

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EXHIBIT INDEX

for Form 10-K for the 2003 Fiscal Year

Exhibit

Number Description

-
- 3.1 Restated Articles of Incorporation of Company, as amended to date--incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q for the quarter ended September 30, 2000*
 - 3.2 Restated Bylaws, as amended to date--incorporated by reference to Exhibit 3.2 of the Company's Form 10, dated October 27, 1988*
 - 10.1 Employee Agreement with Respect to Inventions, Proprietary Information, and Unfair Competition with Thomas E. Oland--incorporated by reference to Exhibit 10.2 of the Company's Form 10, dated October 27, 1988*
 - 10.2** Company's Profit Sharing Plan--incorporated by reference to Exhibit 10.6 of the Company's Form 10, dated October 27, 1988*
 - 10.3** Company's Stock Bonus Plan--incorporated by reference to Exhibit 10.7 of the Company's Form 10, dated October 27, 1988*
 - 10.4** 1987 Incentive Stock Option Plan--incorporated by reference to Exhibit 10.14 of the Company's Form 10, dated October 27, 1988*
 - 10.5 Form of Stock Option Agreement for 1987 Incentive Stock Option Plan--incorporated by reference to Exhibit 10.15 of the Company's Form 10, dated October 27, 1988*
 - 10.6** 1988 Nonqualified Stock Option Plan--incorporated by reference to Exhibit 10.16 of the Company's Form 10, dated October 27, 1988*
 - 10.7 Form of Stock Option Agreement for Nonqualified Stock Option Plan--incorporated by reference to Exhibit 10.17 of the Company's Form 10, dated October 27, 1988*
 - 10.8 International Distributor Agreement dated October 1, 1991 between Research and Diagnostic Systems, Inc. and Hycel, S.A.--incorporated by reference to Exhibit 28.2 of the Company's Form 8-K dated September 30, 1991, as amended by Forms 8 dated November 1, 1991 and November 25, 1991*
 - 10.9** Employment Agreement, dated March 6, 1996, with Monica Tsang--incorporated by reference to Exhibit 10.25 of the Company's Form 10-K for the year ended June 30, 1996*
 - 10.10** 1997 Incentive Stock Option Plan--incorporated by reference to Exhibit 10.24 of the Company's Form 10-K for the year ended June 30, 1997*
 - 10.11 Form of Stock Option Agreement for 1997 Incentive Stock Option

Plan--incorporated by reference to Exhibit 10.25 of the Company's Form 10-K for the year ended June 30, 1997*

- 10.12 Investment Agreement between ChemoCentryx, Inc. and Techne Corporation dated November 18, 1997--incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended December 31, 1997*
- 10.13 Purchase and Sale Agreement dated as of June 22, 1998 among Techne Corporation, Research and Diagnostic Systems, Inc. and Genzyme Corporation--incorporated by reference to Exhibit 2.1 of the Company's Form 8-K dated July 1, 1998, as amended by Form 8-K/A dated September 14, 1998*

*Incorporated by reference; SEC File No. 0-17272

**Management contract or compensatory plan or arrangement

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Exhibit
Number Description

- 10.14** 1998 Nonqualified Stock Option Plan--incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended September 30, 1998*
- 10.15 Form of Stock Option Agreement for 1998 Nonqualified Stock Option Plan--incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended September 30, 1998*
- 10.16 Purchase Agreement dated January 22, 1999, between R&D Systems, Inc. and Hillcrest Development, relating to the purchase of property as 614 and 640 McKinley Place NE and 2201 Kennedy Street in Minneapolis, Minnesota and First amendment dated February 5, 1999--incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended December 31, 1998*
- 10.17** Extension, dated March 31, 1999, to Employment Agreement with Monica Tsang, Ph.D.--incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended March 31, 1999*
- 10.18** Extension, dated March 31, 1999, to Employment Agreement with Marcel Veronneau--incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q for the quarter ended March 31, 1999*
- 10.19 Second Amendment, dated February 2, 1999, to Purchase Agreement dated January 22, 1999 between R&D Systems, Inc. and Hillcrest Development--incorporated by reference to Exhibit 10.4 of the Company's Form 10-Q for the quarter ended March 31, 1999*
- 10.20 Third Amendment, dated April 3, 1999, to Purchase Agreement dated January 22, 1999 between R&D Systems, Inc. and Hillcrest Development--incorporated by reference to Exhibit 10.5 of the Company's Form 10-Q for the quarter ended March 31, 1999*
- 10.21 Phase I Option Agreement, dated February 10, 1999, between R&D Systems, Inc. and Hillcrest Development and form of Purchase Agreement relating to the purchase of property at 2101 Kennedy Street in Minneapolis, Minnesota-- incorporated by reference to Exhibit 10.6 of the Company's Form 10-Q for the quarter ended March 31, 1999*
- 10.22 First Amendment, dated April 10, 1999, to Phase I Option Agreement dated February 10, 1999-- incorporated by reference to Exhibit 10.7 of the Company's Form 10-Q for the quarter ended March 31, 1999*
- 10.23 Phase II Option Agreement, dated February 10, 1999, between R&D Systems, Inc. and Hillcrest Development and form of Purchase Agreement relating to the purchase of property at 2001 Kennedy Street in Minneapolis, Minnesota-- incorporated by reference to Exhibit 10.8 of the Company's Form 10-Q for the quarter ended March 31, 1999*

- 10.24 Second Amendment, dated June 9, 1999, to Phase I Option Agreement dated February 10, 1999-- incorporated by reference to Exhibit 10.33 of the Company's Form 10-K for the year ended June 30, 1999*
- 10.25 Second Amendment, dated June 10, 1999, to Phase II Option Agreement dated February 10, 1999-- incorporated by reference to Exhibit 10.34 of the Company's Form 10-K for the year ended June 30, 1999*
- 10.26 Warrant to purchase 60,000 shares of Common Stock issued to Hillcrest Development on July 1, 1999--incorporated by reference to Exhibit 10.35 of the Company's Form 10-K for the year ended June 30, 1999*

 *Incorporated by reference; SEC File No. 0-17272

**Management contract or compensatory plan or arrangement

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Exhibit
 Number Description

- 10.27 Combination Mortgage, Security Agreement and Fixture Financing Statement dated July 1, 1999 between the Company and TCF National Bank Minnesota (TCF)--incorporated by reference to Exhibit 10.36 of the Company's Form 10-K for the year ended June 30, 1999*
- 10.28 Promissory Note from the Company to TCF dated July 1, 1999 in the principal amount of \$20,400,000-- incorporated by reference to Exhibit 10.37 of the Company's Form 10-K for the year ended June 30, 1999*
- 10.29** Employment Agreement, dated October 1, 1999, with Timothy M. Heaney-- incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended September 30, 1999*
- 10.30 Investment Agreement between the Company and Discovery Genomics, Inc. dated August 2, 2001--incorporated by reference to Exhibit 10.30 of the Company's for 10-K for the year ended June 30, 2001.
- 10.31 Research and License Agreement between R&D Systems and Discovery Genomics, Inc. dated August 2, 2001--incorporated by reference to Exhibit 10.31 of the Company's 10-K for the year ended June 30, 2001.
- 10.32 Investors Rights Agreement dated February 2, 2001 among ChemoCentryx, Inc., the Company and certain investors amending the Investment Agreement between ChemoCentryx, Inc. and the Company dated November 18, 1997--incorporated by reference to Exhibit 10.32 of the Company's 10-K for the year ended June 30, 2001.
- 10.33 Letter Agreement dated February 2, 2001 between ChemoCentryx, Inc. and the Company amending the terms of warrants held by the Company-- incorporated by reference to Exhibit 10.33 of the Company's 10-K for the year ended June 30, 2001.
- 10.34 Third Amendment, dated October 4, 2000, to Phase I Option Agreement dated February 10, 1999--incorporated by reference to Exhibit 10.34 of the Company's 10-K for the year ended June 30, 2001.
- 10.35** Extension, dated August 28, 2001, to Employment Agreement with Monica Tsang, Ph.D.--incorporated by reference to Exhibit 10.35 of the Company's 10-K for the year ended June 30, 2001.
- 10.36** Extension, dated August 28, 2001, to Employment Agreement with Marcel Veronneau--incorporated by reference to Exhibit 10.36 of the Company's 10-K for the year ended June 30, 2001.
- 10.37 Exercise of Option Agreement Relating to 2101 Kennedy Street dated October 31, 2001--incorporated by reference to Exhibit 10.1 of the Company's 10-Q for the quarter ended September 30, 2001.
- 10.38 Warranty Deed for purchase of certain property in Hennepin County, Minnesota--incorporated by reference to Exhibit 10.1 of the Company's

10-Q for the quarter ended March 31, 2002.

10.39 Correction/Amendment to Investment Agreement dated April 23, 2002, between Techne Corporation and Discovery Genomics, Inc.-incorporated by reference to Exhibit 10.39 of the Company's 10-K for the year ended June 30, 2002.

10.40 Form of Indemnification Agreement entered into with each director and executive officer of the Registrant-incorporated by reference to Exhibit 10.1 of the Company's 10-Q for the quarter ended December 31, 2002.

*Incorporated by reference; SEC File No. 0-17272

**Management contract or compensatory plan or arrangement

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Exhibit
Number Description

21 Subsidiaries of the Company:

Name	State/Country of Incorporation
Research and Diagnostic Systems, Inc.	Minnesota
R&D Systems Europe Ltd.	Great Britain
R&D Systems GmbH	Germany

23 Independent Auditors' Consent of KPMG LLP

23.1 Independent Auditors' Consent of Deloitte & Touche LLP

31 Section 302 Certification

32 Section 906 Certification

*Incorporated by reference; SEC File No. 0-17272

**Management contract or compensatory plan or arrangement

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INDEPENDENT AUDITORS' CONSENT

Board of Directors and Stockholders
TECHNE Corporation
Minneapolis, Minnesota

We consent to the incorporation by reference in the Registration Statements (No. 33-42992, 33-49160, 33-86728, 33-86732, 333-14211, 333-37263, 333-88885, and 333-4992) on Form S-8 of TECHNE Corporation of our reports dated August 8, 2003, with respect to the consolidated balance sheet of TECHNE Corporation as of June 30, 2003, and the related consolidated statements of earnings, stockholders' equity and cash flows for the year then ended, and the related financial statement schedule for the year ended June 30, 2003, which reports appear in the June 30, 2003, annual report on Form 10-K of TECHNE Corporation.

Our report on the fiscal 2003 consolidated financial statements of TECHNE Corporation and Subsidiaries refers to the Company's adoption of the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," on July 1, 2002.

/s/ KPMG LLP

Minneapolis, Minnesota
September 26, 2003

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-42992, 33-49160, 33-86728, 33-86732, 333-14211, 333-37263, 333-88885 and 333-49962 of TECHNE Corporation on Form S-8, of our report dated August 13, 2002, appearing in the Annual Report on Form 10-K of TECHNE Corporation for the year ended June 30, 2003.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
September 23, 2003

CERTIFICATION

I, Thomas E. Oland, certify that:

1. I have reviewed this annual report on Form 10-K of Techne Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth quarter that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 26, 2003

/s/ Thomas E. Oland

Thomas E. Oland
Chief Executive Officer and
Chief Financial Officer

TECHNE CORPORATION

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Techne Corporation (the "Company") on Form 10-K for the year ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas E. Oland, Chief Executive and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas E. Oland

Chief Executive Officer and
Chief Financial Officer
September 26, 2003