

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1996, or

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

For the transition period from _____ to _____

Commission file number 0-17272

TECHNE CORPORATION

(Exact name of registrant as specified in its charter)

MINNESOTA
(State or other jurisdiction
of incorporation or organization)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by section 13 or 15(d) of the Securities Exchange Act
of 1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days. Yes (X) No ()

At November 1, 1996, 9,461,728 shares of the Company's Common Stock (par
value \$.01) were outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

TECHNE CORPORATION & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

<TABLE>
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ASSETS	9/30/96	6/30/96
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Cash and cash equivalents	\$ 5,615,788	\$ 7,422,084
Short-term investments	12,307,451	11,827,451
Accounts receivable (net)	8,089,408	8,379,531
Inventories	3,720,477	3,653,117
Deferred income taxes	1,314,000	1,262,000
Other current assets	734,508	744,824
Total current assets	31,781,632	33,289,007
Deferred income taxes	1,418,000	1,049,000
Prepaid license fee	369,600	409,200
Fixed assets (net)	10,731,681	9,045,267

Intangible assets (net)	541,942	600,819
Other assets	250,000	-
	-----	-----
TOTAL ASSETS	\$45,092,855	\$44,393,293
	=====	=====

LIABILITIES & EQUITY

Trade accounts payable	\$ 1,897,690	\$ 1,720,873
Salary and related accruals	1,061,670	1,725,124
Other payables	449,098	876,346
Income taxes payable	1,561,094	706,679
	-----	-----
Total current liabilities	4,969,552	5,029,022
Deferred rent	569,700	490,200
Common stock, par value \$.01 per share; authorized 50,000,000; issued and outstanding 9,461,728 and 9,519,528, respectively	94,617	95,195
Additional paid-in capital	11,463,486	11,448,558
Retained earnings	27,877,830	27,245,416
Accumulated foreign currency translation adjustments	117,670	84,902
	-----	-----
Total stockholders' equity	39,553,603	38,874,071
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$45,092,855	\$44,393,293
	=====	=====

</TABLE>

See notes to unaudited Consolidated Financial Statements.

TECHNE CORPORATION & SUBSIDIARIES CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

<TABLE>

<CAPTION>

	QUARTER ENDED	
	9/30/96	9/30/95
	-----	-----
	<C>	<C>
Sales	\$14,026,978	\$12,794,298
Cost of sales	4,778,130	4,663,897
	-----	-----
Gross margin	9,248,848	8,130,401
Operating expenses:		
Selling, general and administrative	3,317,235	3,100,671
Research and development	2,882,844	2,491,668
Amortization expense	58,877	58,876
Interest expense	28,083	224
Interest income	(158,460)	(139,320)
	-----	-----
	6,128,579	5,512,119
	-----	-----
Earnings before income taxes	3,120,269	2,618,282
Income taxes	945,000	833,000
	-----	-----
NET EARNINGS	\$ 2,175,269	\$ 1,785,282
	=====	=====

EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE	\$	0.22	\$	0.18
	=====	=====	=====	=====

AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	9,788,446	9,650,445
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</TABLE>

See notes to unaudited Consolidated Financial Statements.

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

<TABLE>
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	THREE MONTHS ENDED	
	9/30/96	9/30/95
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 2,175,269	\$ 1,785,282
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	533,905	394,363
Deferred income taxes	(421,000)	(66,000)
Tax benefit from exercise of options	-	101,000
Decrease in prepaid license fee	39,600	39,600
Deferred rent	79,500	21,600
Change in current assets and current liabilities:		
(Increase) decrease in:		
Accounts receivable	306,634	(484,946)
Inventories	(61,037)	(113,440)
Other current assets	11,892	(163,647)
Increase (decrease) in:		
Trade account/other payables	(255,865)	405,602
Salary and related accruals	(664,387)	(428,842)
Income taxes payable	847,915	598,970
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,592,426	2,089,542
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of short-term investments	(4,800,000)	(3,243,585)
Proceeds from sale of short-term investments	4,320,000	5,065,525
Increase in other long term assets	(250,000)	-
Additions to fixed assets	(2,154,141)	3,043,257
NET CASH USED BY INVESTING ACTIVITIES	(2,884,141)	(1,221,317)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	14,938	143,625
Repurchase of common stock	(1,543,443)	(358,750)
NET CASH USED BY FINANCING ACTIVITIES	(1,528,505)	(215,125)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	13,924	14,139
NET CHANGE IN CASH AND EQUIVALENTS	(1,806,296)	667,239
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	7,422,084	5,317,493
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 5,615,788	\$ 5,984,732

</TABLE>

See notes to unaudited Consolidated Financial Statements.

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

A. BASIS OF PRESENTATION:

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

A summary of significant accounting policies followed by the Company is detailed in the Annual Report to Shareholders for Fiscal 1996. The Company follows these policies in preparation of the interim Financial Statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that the Consolidated Financial Statements be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto for the fiscal year ended June 30, 1996 included in the Company's Annual Report to Shareholders for Fiscal 1996.

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

<TABLE>

<CAPTION>

	9/30/96	6/30/96
	-----	-----
<S>	<C>	<C>
ACCOUNTS RECEIVABLE		
Accounts receivable	\$ 8,140,408	\$ 8,492,531
Less reserve for bad debts	51,000	113,000
	-----	-----
NET ACCOUNTS RECEIVABLE	\$ 8,089,408	\$ 8,379,531
	=====	=====
INVENTORIES		
Raw materials	\$ 1,856,830	\$ 1,808,605
Work in process	69,969	34,917
Supplies	127,932	99,323
Finished goods	1,665,746	1,710,272
	-----	-----
TOTAL INVENTORIES	\$ 3,720,477	\$ 3,653,117
	=====	=====
FIXED ASSETS		
Laboratory equipment	\$ 8,728,019	\$ 8,463,653
Office equipment	2,500,796	2,417,311
Leasehold improvements	7,939,120	6,114,009
	-----	-----
	19,167,935	16,994,973
Less accumulated depreciation and amortization	8,436,254	7,949,706
	-----	-----
NET FIXED ASSETS	\$10,731,681	\$ 9,045,267
	=====	=====
INTANGIBLE ASSETS		
Customer list	\$ 1,010,000	\$ 1,010,000
Technology licensing agreements	500,000	500,000
Goodwill	1,225,547	1,225,547
	2,735,547	2,735,547
Less accumulated amortization	2,193,605	2,134,728
	-----	-----
NET INTANGIBLE ASSETS	\$ 541,942	\$ 600,819

</TABLE>

B. EARNINGS PER SHARE:

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

<TABLE>

<CAPTION>

	QUARTER ENDED	
	9/30/96	9/30/95
<S>	<C>	<C>
Primary:		
Weighted average number of common shares	9,501,656	9,390,975
Dilutive effect of stock options and warrants	286,790	259,470
Average common and common equivalent shares outstanding	9,788,446	9,650,445
Fully diluted:		
Weighted average number of common shares	9,501,656	9,390,975
Dilutive effect of stock options and warrants	287,422	286,823
Average common and common equivalent shares outstanding	9,789,078	9,677,798

</TABLE>

Fully diluted earnings per share are not separately reported since the effect of dilution is less than three percent.

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

Results of Operations Quarter Ended September 30, 1996
vs. Quarter Ended September 30, 1995

Techne Corporation has two operating subsidiaries: Research and Diagnostic Systems, Inc. (R&D Systems) located in Minneapolis, Minnesota and R&D Systems Europe Ltd. (R&D Europe) located in Abingdon, England. R&D Systems has two divisions: Biotechnology and Hematology. The Biotechnology Division manufactures purified cytokines (proteins), antibodies and assay kits which are sold primarily to biomedical researchers and clinical research laboratories. The Hematology Division develops and manufactures whole blood hematology controls and calibrators which are sold to hospital and clinical laboratories to check the performance of their hematology instruments to assure the accuracy of hematology test results. R&D Europe is the distributor for R&D Systems' biotechnology products in Europe. R&D Europe also develops and manufactures its own line of biotechnology products and distributes products for several other biotechnology companies. In fiscal 1996, R&D Europe opened a sales subsidiary in Germany. The Company also has a foreign sales corporation, Techne Export Inc.

Net Sales

Net sales for the quarter ended September 30, 1996 were \$14,026,978, an increase of \$1,232,680 (10%) from the quarter ended September 30, 1995. R&D Systems sales increased \$793,092 (9%) and R&D Europe sales increased \$439,588 (12%) from the quarter ended September 30, 1995, respectively. Approximately 70% of R&D Europe sales for the quarter ended September 30, 1996 were from the distribution of R&D Systems' products.

The increase in consolidated sales for the quarter was due, in part, to increased sales of R&D Systems' cytokines. Sales of cytokines by R&D Systems and R&D Europe for the quarter ended September 30, 1996 were \$2,943,051 compared to \$2,187,905 for the quarter ended September 30, 1995,

an increase of \$755,146.

In addition, the increase in consolidated sales for the quarter was due to increased sales of R&D Systems' immunoassay (Quantikine) kits. Currently there are 68 kits on the market. Sales of Quantikine kits by R&D Systems and R&D Europe for the quarter ended September 30, 1996 were \$5,388,656 compared to \$4,959,573 for the quarter ended September 30, 1995, an increase of \$429,083.

Offsetting the increase in sales of biotechnology products, sales of hematology products decreased \$435,933 from the quarter ended September 30, 1995. The decrease resulted mainly from the loss of an OEM customer at the end of fiscal 1996.

Gross Margins

Gross margins, as a percentage of sales, increased from the prior year. Margins for the first quarter of fiscal 1997 were 65.9% compared to 63.5% for the same quarter in fiscal 1996.

The increase for the quarter was due to a shift in product mix to higher-margin biotechnology products. During the quarter ended September 30, 1996, biotechnology products accounted for 83% of consolidated sales compared to 77% for the quarter ended September 30, 1995. Gross margins for R&D Europe, Hematology Division and Biotechnology Division all increased slightly for the quarter. R&D Europe gross margins increased from 51.6% to 51.7%; Hematology Division gross margins increased from 39.4% to 40.1%; and Biotechnology Division gross margins increased from 68.6% to 68.8%.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$216,564 (7%) from the first quarter of fiscal 1996 to the first quarter of fiscal 1997. Approximately \$118,000 of the increase in selling, general and administrative expenses was due to additional Biotechnology Division sales and marketing staff added since the prior year. In addition, \$78,000 of the increase was the result of additional advertising and promotional expenditures by the Biotechnology Division. R&D Europe selling, general and administrative expenses increased only slightly from the prior year, with increased wages offset by a decrease in marketing costs. Wages increased due to additional sales staff added at R&D Europe's German sales subsidiary, which began operation in September 1995. Marketing costs at R&D Europe decreased for the quarter ended September 30, 1996 because prior year expenses included the printing of a catalog for a new internally developed molecular biology product line.

Research and Development Expenses

Research and development expenses increased \$391,176 (16%) for the quarter ended September 30, 1996. R&D Europe and R&D Systems' research and development expenses increased \$54,954 and \$336,222, respectively, for the quarter ended September 30, 1996. The increases related to products currently under development, several of which were released in the first three months of fiscal 1997. Products currently under development include both biotechnology and hematology products. The increase in R&D Systems' research and development expenses also included additional research laboratory space added in the fourth quarter of fiscal 1996.

Net Earnings

Earnings before income taxes increased \$501,987 from \$2,618,282 in the first quarter of fiscal 1996 to \$3,120,269 in the first quarter of fiscal 1997. The increase in earnings before income taxes was mainly due to an increase in Biotechnology Division earnings of \$493,078 and an increase in R&D Europe earnings of \$140,155. The increases in Biotechnology Division and R&D Europe results were due to increased sales and gross margins, partially offset by higher expenses. Hematology earnings before tax decreased \$146,417 from the quarter ended September 30, 1995 due to

decreased sales.

Income taxes for the quarter ended September 30, 1996 were provided at a rate of approximately 30% of consolidated pretax earnings compared to 32% for the quarter ended September 30, 1995. The decrease in the tax rate was due to the reinstatement of the credit for research and development expenditures for the period of July 1996 to May 1997. U.S. federal taxes have also been reduced as a result of the benefit of the foreign sales corporation. Foreign income taxes have been provided at rates which approximate the tax rates in the United Kingdom and Germany.

Liquidity and Capital Resources

At September 30, 1996, cash and cash equivalents and short-term investments were \$17,923,239 compared to \$19,249,535 at June 30, 1996. The Company has been accumulating cash and short-term investments for future expansion purposes. The Company believes it can meet its future cash, working capital requirements and capital additions through currently available funds, cash generated from operations and maturities of short-term investments. The Company has an unsecured line of credit of \$750,000. The interest rate on the line of credit is at prime. There were no borrowings on the line in the current quarter.

Cash Flows From Operating Activities

The Company generated cash of \$2,592,426 from operating activities in the first three months of fiscal 1997 compared to \$2,089,542 for the first three months of fiscal 1996. The increase was mainly the result of increased net earnings.

Cash Flows From Investing Activities

During the three months ended September 30, 1996 the Company increased short-term investments \$480,000, while during the three months ended September 30, 1995, the Company reduced short-term investments \$1,821,940. The decrease was used to fund leasehold improvements during the first quarter of fiscal 1996. The Company's investment policy is to place excess cash in short-term tax-exempt government bonds. The objective of this policy is to obtain the highest possible return with the lowest risk, while keeping the funds accessible.

Capital additions were \$2,154,141 for the first three months of fiscal 1997, compared to \$3,043,257 for the first three months of fiscal 1996. Included in the fiscal 1997 and 1996 additions were \$1,783,000 and \$2,470,000 for leasehold improvements related to expansion and remodeling of facilities by R&D Systems. The remaining additions in fiscal 1997 and 1996 were for laboratory and computer equipment. Total expenditures for capital additions planned for the remainder of fiscal 1997 are expected to cost approximately \$4.2 million and are expected to be financed through cash from operating activities.

Cash Flows From Financing Activities

Cash of \$14,938 and \$143,625 was received during the three months ended September 30, 1996 and 1995, respectively, for the exercise of options for 1,000 and 26,000 shares of common stock. During the first three months of fiscal 1996, options for 80,000 shares of common stock were exercised in a noncash transaction by the surrender of 31,645 shares of the Company's common stock with a market value of \$601,250.

During the first three months of fiscal 1997 and 1996, the Company purchased and retired 58,800 and 20,500 shares, respectively, of Company common stock at market values of \$1,543,443 and \$358,750. In May 1995, the Company announced a plan to purchase and retire up to \$5,000,000 of its common stock. Through November 1, 1996, 140,000 shares have been purchased at a market value of \$2,850,401. Subject to market conditions and share price, the Company plans to continue to purchase and retire Company common stock.

The Company has never paid dividends and has no plans to do so in fiscal 1997.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None

ITEM 2 - CHANGES IN SECURITIES

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 - SUBMISSION OF MATTERS TO VOTE OF SHAREHOLDERS

- (a) The Annual Meeting of the Registrant's shareholders was held on Thursday, October 24, 1996.
- (b) A proposal to set the number of directors at seven was adopted by a vote of 7,801,635 in favor with 8,828 shares against, 16,481 shares abstaining and no shares represented by broker nonvotes.
- (c) Proxies for the Annual Meeting were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934, there was no solicitation in opposition to management's nominees as listed in the proxy statement, and all such nominees were elected, as follows:

Nominee	For	Withheld
Thomas E. Oland	7,796,799	9,443
Roger C. Lucas	7,549,547	256,695
Howard V. O'Connell	7,803,442	2,800
G. Arthur Herbert	7,802,242	4,000
Randolph C. Steer	7,804,842	1,400
Lowell E. Sears	7,805,142	1,100
Christopher S. Henney	7,804,914	1,328

ITEM 5 - OTHER INFORMATION

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Statements in this filing, and elsewhere, which look forward in time involve risks and uncertainties which may affect the actual results of operations. The following important factors, among others, have affected and, in the future, could affect the Company's actual results: the introduction and acceptance of new biotechnology and hematology products, the levels and particular directions of research into cytokines by the Company's customers, the impact of the growing number of producers of cytokine research products and related price competition, the retention of hematology OEM and proficiency survey business, and the Company's expansion of marketing efforts in Europe.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

A. EXHIBITS

See exhibit index immediately following signature page.

B. REPORTS ON FORM 8-K

None

SIGNATURE

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

TECHNE CORPORATION
(Company)

Date: November 13, 1996 Thomas E. Oland

Thomas E. Oland
President, Chief Executive and
Financial Officer

EXHIBIT INDEX
TO
FORM
10-Q

TECHNE CORPORATION

Exhibit Number	Description
-----	-----
27	Financial Data Schedule

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