

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 December 31, 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 41-1427402
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

614 MCKINLEY PLACE N.E. (612) 379-8854
MINNEAPOLIS, MN 55413 (Registrant's telephone number,
(Address of principal including area code)
executive offices) (Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) No ()

At February 1, 1997, 9,455,728 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>
<CAPTION>

ASSETS	12/31/96	6/30/96
<S>	<C>	<C>
Cash and cash equivalents	\$ 6,953,881	\$ 7,422,084
Short-term investments	12,862,451	11,827,451
Accounts receivable (net)	7,554,049	8,379,531
Inventories	4,101,966	3,653,117
Deferred income taxes	1,409,000	1,262,000
Other current assets	615,571	744,824
Total current assets	33,496,918	33,289,007
Deferred income taxes	1,462,000	1,049,000
Prepaid license fee	330,000	409,200
Fixed assets (net)	11,574,422	9,045,267

Intangible assets (net)	483,065	600,819
Other assets	250,000	-
	-----	-----
TOTAL ASSETS	\$47,596,405	\$44,393,293
	=====	=====

LIABILITIES & EQUITY

Trade accounts payable	\$ 1,966,853	\$ 1,720,873
Salary and related accruals	1,567,633	1,725,124
Other payables	471,257	876,346
Income taxes payable	1,057,429	706,679
	-----	-----
Total current liabilities	5,063,172	5,029,022
Deferred rent	649,200	490,200
Common stock, par value \$.01 per share; authorized 50,000,000; issued and outstanding 9,449,228 and 9,519,528, respectively	94,492	95,195
Additional paid-in capital	11,473,727	11,448,558
Retained earnings	29,828,072	27,245,416
Accumulated foreign currency translation adjustments	487,742	84,902
	-----	-----
Total stockholders' equity	41,884,033	38,874,071
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$47,596,405	\$44,393,293
	=====	=====

</TABLE>

See notes to unaudited Consolidated Financial Statements.

TECHNE CORPORATION & SUBSIDIARIES CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

<TABLE>

<CAPTION>

	QUARTER ENDED		SIX MONTHS ENDED	
	12/31/96	12/31/95	12/31/96	12/31/95
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Sales	\$14,409,294	\$12,514,479	\$28,436,272	\$25,308,777
Cost of sales	4,571,712	4,632,962	9,349,842	9,296,859
	-----	-----	-----	-----
Gross margin	9,837,582	7,881,517	19,086,430	16,011,918
Operating expenses (income):				
Selling, general and administrative	3,657,534	3,163,447	6,974,769	6,264,117
Research and development	2,947,251	2,462,512	5,830,095	4,954,180
Amortization expense	58,877	58,878	117,754	117,755
Interest expense	441	91	28,524	315
Interest income	(164,012)	(164,164)	(322,472)	(303,484)
	-----	-----	-----	-----
	6,500,091	5,520,764	12,628,670	11,032,883
	-----	-----	-----	-----
Earnings before income taxes	3,337,491	2,360,753	6,457,760	4,979,035
Income taxes	1,060,000	673,000	2,005,000	1,506,000
	-----	-----	-----	-----
NET EARNINGS	\$ 2,277,491	\$ 1,687,753	\$ 4,452,760	\$ 3,473,035
	=====	=====	=====	=====

EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE	\$ 0.23	\$ 0.17	\$ 0.46	\$ 0.36
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AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	9,721,323	9,716,650	9,754,980	9,683,532
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</TABLE>

See notes to unaudited Consolidated Financial Statements.

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

<TABLE>
<CAPTION>

SIX MONTHS ENDED

	12/31/96	12/31/95
--	----------	----------

CASH FLOWS FROM OPERATING ACTIVITIES:

<S>	<C>	<C>	
Net earnings	\$ 4,452,760	\$ 3,473,035	
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	1,100,230	809,106	
Deferred income taxes	(483,000)	(190,000)	
Tax benefit from exercise of options	-	177,000	
Decrease in prepaid license fee	79,200	79,200	
Deferred rent	159,000	43,200	
Other	-	11,026	
Change in current assets and current liabilities:			
(Increase) decrease in:			
Accounts receivable	1,014,934	4,983	
Inventories	(335,828)	(79,876)	
Other current assets	149,967	(138,446)	
Increase (decrease) in:			
Trade account/other payables	(204,516)	47,594	
Salary and related accruals	(167,767)	(82,592)	
Income taxes payable	251,793	(230,741)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,016,773	3,923,489	

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of short-term investments	(8,385,000)	(6,987,347)
Proceeds from sale of short-term investments	7,350,000	6,460,025
Increase in other long term assets	(250,000)	-
Additions to fixed assets	(3,418,612)	(4,178,226)
NET CASH USED BY INVESTING ACTIVITIES	(4,703,612)	(4,705,548)

CASH FLOWS FROM FINANCING ACTIVITIES:

Issuance of common stock	25,189	167,656
Repurchase of common stock	(1,870,827)	(607,753)
NET CASH USED BY FINANCING ACTIVITIES	(1,845,638)	(440,097)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	64,274	7,465
NET CHANGE IN CASH AND EQUIVALENTS	(468,203)	(1,214,691)

CASH AND EQUIVALENTS AT BEGINNING OF PERIOD 7,422,084 5,317,493

CASH AND EQUIVALENTS AT END OF PERIOD \$ 6,953,881 \$ 4,102,802

</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>

	12/31/96	6/30/96
<S>	<C>	<C>
ACCOUNTS RECEIVABLE		
Accounts receivable	\$ 7,606,049	\$ 8,492,531
Less reserve for bad debts	52,000	113,000
NET ACCOUNTS RECEIVABLE	\$ 7,554,049	\$ 8,379,531

INVENTORIES

Raw materials	\$ 2,053,928	\$ 1,808,605
Work in process	116,395	34,917
Supplies	118,256	99,323
Finished goods	1,813,387	1,710,272
TOTAL INVENTORIES	\$ 4,101,966	\$ 3,653,117

FIXED ASSETS

Laboratory equipment	\$ 9,213,477	\$ 8,463,653
Office equipment	2,612,184	2,417,311
Leasehold improvements	8,818,334	6,114,009
	20,643,995	16,994,973
Less accumulated depreciation and amortization	9,069,573	7,949,706
NET FIXED ASSETS	\$11,574,422	\$ 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	2,252,482	2,134,728
	-----	-----
NET INTANGIBLE ASSETS	\$ 483,065	\$ 600,819
	=====	=====

</TABLE>

B. EARNINGS PER SHARE:

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

<TABLE>

<CAPTION>

	SIX MONTHS ENDED	
	12/31/96	12/31/95
	-----	-----
<S>	<C>	<C>
Primary:		
Weighted average number of common shares	9,478,382	9,410,474
Dilutive effect of stock options and warrants	276,598	273,058
	-----	-----
Average common and common equivalent shares outstanding	9,754,980	9,683,532
	=====	=====
Fully diluted:		
Weighted average number of common shares	9,478,382	9,410,474
Dilutive effect of stock options and warrants	291,372	286,558
	-----	-----
Average common and common equivalent shares outstanding	9,769,754	9,697,032
	=====	=====

</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 and Six Months Ended December 31, 1996
vs. Quarter and Six Months Ended December 31, 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 December 31, 1996 were \$14,409,294, an increase of \$1,894,815 (15%) from the quarter ended December 31, 1995.

Sales for the six months ended December 31, 1996 increased \$3,127,495 (12%) from \$25,308,777 to \$28,436,272. R&D Systems sales increased \$1,181,585 (14%) and \$1,974,677 (11%) for the quarter and six months ended December 31, 1996, respectively. R&D Europe sales increased \$713,230 (17%) and \$1,152,818 (15%) for the same periods. Approximately 69% of R&D Europe sales were from the distribution of R&D Systems' products.

The increase in consolidated sales for the quarter and six months was due, in part, to increased sales of R&D Systems' cytokines and antibodies. Sales of cytokines and antibodies by R&D Systems and R&D Europe for the quarter and six months ended December 31, 1996 were \$4,454,473 and \$8,552,995 compared to \$3,107,447 and \$6,151,041 during the same periods in the prior year, an increase of \$1,347,026 and \$2,401,954, respectively.

In addition, the increase in consolidated sales for the quarter and six months was due to increased sales of immunoassay kits. Sales of immunoassay kits by R&D Systems and R&D Europe for the quarter and six months ended December 31, 1996 were \$5,772,924 and \$11,722,030 compared to \$5,465,503 and \$10,783,521 for the quarter and six months ended December 31, 1995, an increase of \$307,421 and \$938,509, respectively.

Offsetting the increase in sales of biotechnology products, sales of hematology products decreased \$190,684 and \$626,617 for the quarter and six months ended December 31, 1996. The decrease resulted mainly from the loss of an OEM customer at the end of fiscal 1996, partially offset in the second quarter by higher retail sales and increased sales to several other OEM customers.

Gross Margins

Gross margins, as a percentage of sales, increased from the prior year. Margins for the second quarter of fiscal 1997 were 68.3% compared to 63.0% for the same quarter in fiscal 1996. Margins for the six months ended December 31, 1996 were 67.1% compared to 63.3% for the same period in fiscal 1996.

The increase for the quarter and six months was due to a shift in product mix to higher-margin biotechnology products and the conclusion of royalty payments to Amgen Inc. in August 1996. During the quarter and six months ended December 31, 1996, biotechnology products accounted for 84% and 83% of consolidated sales compared to 80% and 79% for the quarter and six months ended December 31, 1995. Gross margins for R&D Europe, Hematology Division and Biotechnology Division all increased for the quarter. R&D Europe gross margins increased from 48.5% to 53.9% for the quarter ended December 31, 1996 and from 50.0% to 52.9% for the six months ended December 31, 1996. Hematology Division gross margins increased from 36.2% to 41.6% for the quarter and from 37.9% to 40.8% for the six months ended December 31, 1996. Biotechnology Division gross margins increased from 68.1% to 71.3% for the quarter and from 68.4% to 70.0% for the six months ended December 31, 1996.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$494,087 (16%) from the second quarter of fiscal 1996 to the second quarter of fiscal 1997. These expenses also increased \$710,652 (11%) for the first six months of fiscal 1997. Approximately \$161,000 and \$193,000 of the increase in selling, general and administrative expense for the quarter and six months ended December 31, 1996 is due to additional bonus/profit sharing accrued in the first six month of fiscal 1997. Approximately \$31,000 and \$149,000 of the increase for the quarter and six months was due to additional Biotechnology Division sales and marketing staff added since the prior year. In addition, \$37,000 and \$115,000 of the increase for the quarter and six months was the result of additional advertising and promotional expenditures by the Biotechnology Division. R&D Europe selling, general and administrative expenses increased \$205,103 and \$220,721 for the quarter and six months respectively. This increase relates mainly to the change in exchange rates used in converting R&D Europe financial statements into U.S. dollars, due to the declining value of the U.S. dollar. The average exchange rate during the first six months of fiscal 1997 and 1996 was 1.62 and 1.56 dollars per British pound, respectively. In British pounds, R&D

Europe's selling general and administrative expenses increased 70,454 (9%) and 86,989 (6%) for the quarter and six months ended December 31, 1996, respectively.

Research and Development Expenses

Research and development expenses increased \$484,739 (20%) for the quarter ended December 31, 1996 and \$875,915 (18%) for the six months ended December 31, 1995. R&D Europe and R&D Systems' research and development expenses increased \$168,133 and \$316,606, respectively, for the quarter ended December 31, 1996 and \$223,087 and \$652,828, respectively, for the six months ended December 31, 1996. The increases related to products currently under development, several of which were released in the first six 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 \$976,738 from \$2,360,753 in the second quarter of fiscal 1996 to \$3,337,491 in the second quarter of fiscal 1997. Earnings before taxes for the six months increased \$1,478,725 from \$4,979,035 to \$6,457,760. The increase in earnings before income taxes was mainly due to an increase in Biotechnology Division earnings of \$793,822 and \$1,286,900 for the quarter and six months ended December 31, 1996 and an increase in R&D Europe earnings of \$214,117 and \$354,272 for the quarter and six months, respectively. 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 \$10,576 and \$156,993 from the quarter and six months ended December 31, 1995 due to decreased sales.

Income taxes for the quarter and six months ended December 31, 1996 were provided at a rate of approximately 32% and 31% of consolidated pretax earnings compared to 29% and 30% for the prior year. The increase in the tax rate was a result of increasing R&D Europe pretax earnings, which have a higher tax rate than U.S. generated earnings. U.S. federal taxes have been reduced by the reinstatement of the credit for research and development expenditures and the benefit of the foreign sales corporation.

Liquidity and Capital Resources

At December 31, 1996, cash and cash equivalents and short-term investments were \$19,816,332 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 and capital addition requirements through currently available funds, cash generated from operations and maturities of short-term investments. The Company has an unsecured line of credit of \$750,000. The interest rate on the line of credit is at prime. There were no borrowings on the line in the prior or current fiscal years.

Cash Flows From Operating Activities

The Company generated cash of \$6,016,773 from operating activities in the first six months of fiscal 1997 compared to \$3,923,489 for the first six months of fiscal 1996. The increase was mainly the result of increased net earnings and a decrease in accounts receivable.

Cash Flows From Investing Activities

During the six months ended December 31, 1996 and 1995, the Company increased short-term investments \$1,035,000 and \$527,322, respectively. 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 \$3,418,612 for the first six months of fiscal 1997, compared to \$4,178,226 for the first six months of fiscal 1996. Included in the fiscal 1997 and 1996 additions were \$2,684,000 and \$3,220,000 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 \$3.1 million and are expected to be financed through currently available funds and cash generated from operating activities.

Cash Flows From Financing Activities

Cash of \$25,189 and \$167,656 was received during the six months ended December 31, 1996 and 1995, respectively, for the exercise of options for 2,000 and 29,750 shares of common stock. During the first six 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 six months of fiscal 1997 and 1996, the Company purchased and retired 72,300 and 32,500 shares, respectively, of Company common stock at market values of \$1,870,827 and \$607,753. In May 1995, the Company announced a plan to purchase and retire up to \$5,000,000 of its common stock. Through February 1, 1997, 153,500 shares have been purchased at a market value of \$3,177,786. 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

Information relating to the Company's Annual Meeting of Shareholders, held on October 24, 1996, is contained in the Company's Form 10-Q for the quarter ended September 30, 1996, which is incorporated herein by reference.

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: February 13, 1997

Thomas E. Oland

Thomas E. Oland
President, Chief Executive and
Financial Officer

EXHIBIT INDEX
TO
FORM
10-Q

TECHNE CORPORATION

Exhibit Number	Description
-----	-----
10.1	Agreement, dated December 19, 1996 for the third amendment to a lease agreement between Hillcrest Development and R&D Systems, Inc.
27	Financial Data Schedule

AGREEMENT FOR THE
THIRD AMENDMENT TO A LEASE

On this nineteenth day of December, 1996, it is hereby agreed by and between HILLCREST DEVELOPMENT, a Minnesota limited partnership, as Lessor, and R & D SYSTEMS, INC., a Minnesota corporation, as Tenant, that the Lease Agreement dated July 24, 1992, and the letters of Agreement dated April 27, 1993, June 22, 1993, January 17, 1995, February 17, 1995, June 15, 1995, August 18, 1995, September 11, 1995 and the Agreement for the First Amendment to a Lease dated October 27, 1995, and the Second Amendment to a Lease dated July 3, 1996 (collectively, the "Lease"), shall be amended as follows:

1. The Lease Term as set forth in 1.B. is hereby extended through December 31, 2017.

2. The net rent payable pursuant to Section 1.C. and D.1. for the period commencing January 1, 2014 and expiring on December 31, 2017 shall be annually increased at a rate of four percent (4%) per year over the prior calendar year's net rent for each year during such period with the rent for the calendar year 2014 being equal to one hundred four percent (104%) of the stated net rent for the calendar year 2013.

3. Lessor hereby grants Tenant a construction allowance of \$150,000.00 which Tenant may utilize during the term of this Lease for desired leasehold improvements. Such allowance or portions shall be paid to Tenant upon submission to Lessor of evidence of payment of all work comprising the leasehold improvements and evidence that all potential lien claimants have provided lien waivers.

4. The lease paragraph "Limited Option to Purchase the Leased Premises" contained in paragraph 15 of the Agreement for the First Amendment to a Lease dated October 27, 1995 and amended in the July 3, 1996 Agreement for the Second Amendment to a Lease is again amended by replacing the second sentence thereof with the following:

"This options may only be exercisable by Tenant by written notice to Lessor given after December 31, 2008 and prior to January 1, 2014."

5. Except as provided for above, all remaining terms and conditions of the Lease shall remain in full force and effect.

LESSOR:	TENANT:
HILLCREST DEVELOPMENT	R & D SYSTEMS, INC.

By: Scott Tankenoff Its General Partner	By: Thomas E. Oland Its President
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Date: December 19, 1996	Date: December 19, 1996
-------------------------	-------------------------

CONSENT

The undersigned, Guarantor of Tenant's obligations under the Lease, hereby consents to the foregoing Agreement for the Second Amendment to a Lease.

TECHNE CORPORATION

By: Thomas E. Oland
Its: President
Date: December 19, 1996

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