

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1997, 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) (Zip Code)

(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  No

At May 1, 1997, 9,410,728 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	3/31/97	6/30/96
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Cash and cash equivalents	\$ 5,391,305	\$ 7,422,084
Short-term investments	14,207,037	11,827,451
Accounts receivable (net)	9,066,432	8,379,531
Inventories	4,001,990	3,653,117
Deferred income taxes	1,255,000	1,262,000
Other current assets	836,139	744,824
Total current assets	34,757,903	33,289,007
Deferred income taxes	1,460,000	1,049,000
Prepaid license fee	290,400	409,200

Fixed assets (net)	11,456,489	9,045,267
Intangible assets (net)	424,188	600,819
Other assets	250,000	-
	-----	-----
TOTAL ASSETS	\$48,638,980	\$44,393,293
	=====	=====

#### LIABILITIES & EQUITY

Trade accounts payable	\$ 1,801,842	\$ 1,720,873
Salary and related accruals	1,298,263	1,725,124
Other payables	481,740	876,346
Income taxes payable	573,205	706,679
	-----	-----
Total current liabilities	4,155,050	5,029,022
Deferred rent	795,750	490,200
Common stock, par value \$.01 per share; authorized 50,000,000; issued and outstanding 9,410,728 and 9,519,528, respectively	94,107	95,195
Additional paid-in capital	11,563,569	11,448,558
Retained earnings	31,674,799	27,245,416
Accumulated foreign currency translation adjustments	355,705	84,902
	-----	-----
Total stockholders' equity	43,688,180	38,874,071
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$48,638,980	\$44,393,293
	=====	=====

</TABLE>

See notes to unaudited Consolidated Financial Statements.

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

<TABLE>  
<CAPTION>

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/97	3/31/96	3/31/97	3/31/96
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Sales	\$16,251,827	\$14,713,361	\$44,688,099	\$40,022,138
Cost of sales	4,979,754	5,018,310	14,329,596	14,315,169
	-----	-----	-----	-----
Gross margin	11,272,073	9,695,051	30,358,503	25,706,969
Operating expenses (income):				
Selling, general and administrative	4,114,790	3,521,315	11,089,559	9,785,432
Research & development	2,940,709	2,562,017	8,770,804	7,516,197
Amortization expense	58,877	58,876	176,631	176,631
Interest expense	731	402	29,255	717
Interest income	(188,936)	(146,355)	(511,408)	(449,839)
	-----	-----	-----	-----
	6,926,171	5,996,255	19,554,841	17,029,138
	-----	-----	-----	-----
Earnings before income taxes	4,345,902	3,698,796	10,803,662	8,677,831
Income taxes	1,394,000	1,188,000	3,399,000	2,694,000
	-----	-----	-----	-----
NET EARNINGS	\$ 2,951,902	\$ 2,510,796	\$ 7,404,662	\$ 5,983,831

EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE				
	\$ 0.30	\$ 0.26	\$ 0.76	\$ 0.62

AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING				
	9,719,469	9,691,746	9,742,411	9,685,396

</TABLE>

See notes to unaudited Consolidated Financial Statements.

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

<TABLE>  
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	NINE MONTHS ENDED	
	3/31/97	3/31/96
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 7,404,662	\$ 5,983,831
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,683,709	1,302,753
Deferred income taxes	(363,000)	(351,000)
Tax benefit from exercise of options	-	371,000
Decrease in prepaid license fee	118,800	118,800
Deferred rent	305,550	59,950
Other	7,905	48,354
Change in current assets and current liabilities:		
Increase in:		
Accounts receivable	(596,832)	(1,252,323)
Inventories	(298,033)	(95,537)
Other current assets	(82,138)	(72,191)
Increase (decrease) in:		
Trade account/other payables	(353,579)	336,125
Salary and related accruals	(431,358)	8,530
Income taxes payable	(165,457)	(1,900)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,230,229	6,456,392
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of short-term investments	(11,324,586)	(9,472,347)
Proceeds from sale of short-term investments	8,945,000	9,253,787
Increase in other long term assets	(250,000)	-
Additions to fixed assets	(3,876,338)	(5,511,836)
NET CASH USED BY INVESTING ACTIVITIES	(6,505,924)	(5,730,396)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	115,096	364,125
Repurchase of common stock	(2,976,452)	(676,206)
NET CASH USED BY FINANCING ACTIVITIES	(2,861,356)	(312,081)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	106,272	795

NET CHANGE IN CASH AND EQUIVALENTS	(2,030,779)	414,710
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	7,422,084	5,317,493
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 5,391,305	\$ 5,732,203

</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>

	3/31/97	6/30/96
	-----	-----
<S>	<C>	<C>
ACCOUNTS RECEIVABLE		
Accounts receivable	\$ 9,117,432	\$ 8,492,531
Less reserve for bad debts	51,000	113,000
NET ACCOUNTS RECEIVABLE	\$ 9,066,432	\$ 8,379,531
	=====	=====
INVENTORIES		
Raw materials	\$ 2,181,086	\$ 1,808,605
Work in process	36,030	34,917
Supplies	136,992	99,323
Finished goods	1,647,882	1,710,272
TOTAL INVENTORIES	\$ 4,001,990	\$ 3,653,117
	=====	=====
FIXED ASSETS		
Laboratory equipment	\$ 9,395,762	\$ 8,463,653
Office equipment	2,640,144	2,417,311
Leasehold improvements	8,950,484	6,114,009
	-----	-----
	20,986,390	16,994,973
Less accumulated depreciation and amortization	9,529,901	7,949,706
NET FIXED ASSETS	\$ 11,456,489	\$ 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	2,311,359	2,134,728
<b>NET INTANGIBLE ASSETS</b>	<b>\$ 424,188</b>	<b>\$ 600,819</b>

</TABLE>

#### B. EARNINGS PER SHARE:

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

<TABLE>

<CAPTION>

	NINE MONTHS ENDED	
	3/31/97	3/31/96
<S>	<C>	<C>
Primary:		
Weighted average number of common shares	9,467,268	9,415,540
Dilutive effect of stock options and warrants	275,143	269,856
Average common and common equivalent shares outstanding	9,742,411	9,685,396

Fully diluted:

Weighted average number of common shares	9,467,268	9,415,540
Dilutive effect of stock options and warrants	284,874	299,878
Average common and common equivalent shares outstanding	9,752,142	9,715,418

</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 Nine Months Ended March 31, 1997  
vs. Quarter and Nine Months Ended March 31, 1996

Techn 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. In fiscal 1996, R&D Europe opened a sales subsidiary in Germany. The Company also has a foreign sales corporation, Techn Export Inc.

#### Net Sales

Net sales for the quarter ended March 31, 1997 were \$16,251,827, an increase of \$1,538,466 (10%) from the quarter ended March 31, 1996. Sales for the nine months ended March 31, 1997 increased \$4,665,961 (12%) from \$40,022,138 to \$44,688,099. R&D Systems sales increased \$1,004,720 (10%) and \$2,979,397 (11%) for the quarter and nine months ended March 31, 1997, respectively. R&D Europe sales increased \$533,746 (12%) and \$1,686,564 (14%) for the same periods.

The increase in consolidated sales for the quarter and nine 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 nine months ended March 31, 1997 were \$5,033,963 and \$13,586,958 compared to \$3,932,071 and \$10,083,112 during the same periods in the prior year, an increase of \$1,101,892 and \$3,503,846, respectively.

Offsetting the increase in sales of biotechnology products, sales of hematology products decreased \$178,682 and \$805,299 for the quarter and nine months ended March 31, 1997. The decrease resulted mainly from the loss of an OEM customer at the end of fiscal 1996, partially offset in the second and third quarters of fiscal 1997 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 third quarter of fiscal 1997 were 69.4% compared to 65.9% for the same quarter in fiscal 1996. Margins for the nine months ended March 31, 1997 were 67.9% compared to 64.2% for the same period in fiscal 1996.

The increase for the quarter and nine 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 nine months ended March 31, 1997, biotechnology products accounted for 84% and 83% of consolidated sales compared to 81% and 79% for the quarter and nine months ended March 31, 1996. Gross margins for R&D Europe, Hematology Division and Biotechnology Division all increased for the quarter. R&D Europe gross margins increased from 52.9% to 53.0% for the quarter ended March 31, 1997 and from 51.0% to 52.9% for the nine months ended March 31, 1997. Hematology Division gross margins increased from 40.0% to 46.1% for the quarter and from 38.6% to 42.7% for the nine months ended March 31, 1997. Biotechnology Division gross margins increased from 69.5% to 71.5% for the quarter and from 68.8% to 70.6% for the nine months ended March 31, 1997.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$593,475 (17%) from the third quarter of fiscal 1996 to the third quarter of fiscal 1997. These expenses also increased \$1,304,127 (13%) for the first nine months of fiscal 1997. Included in selling, general and administrative expenses for the quarter March 31, 1997 is a restructuring charge of approximately \$450,000 related to R&D Europe. The restructuring involves the withdrawal from the molecular biology market, the transfer of all major marketing and advertising activities to R&D Systems and the transfer of immunoassay kit development and manufacturing activities from R&D Europe to R&D Systems by June 30, 1997. R&D Europe's sales function will not be affected by the restructuring. In addition, approximately \$14,000 and \$163,000 of the increase for the quarter and nine months was due to additional Biotechnology Division sales and marketing staff added since the prior year. R&D Europe selling, general and administrative expenses, excluding the restructure charge, increased \$232,000 and \$452,000 for the quarter and nine 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 nine months of fiscal 1997 and 1996 was 1.62 and 1.55 dollars per British pound, respectively. In British pounds, R&D Europe's selling general and administrative expenses, excluding the restructure charge, increased 94,000 (11%) and 181,000 (8%) for the quarter and nine months ended March 31, 1997, respectively.

#### Research and Development Expenses

Research and development expenses increased \$378,692 (15%) for the quarter ended March 31, 1997 and \$1,254,607 (17%) for the nine months ended March 31, 1997. R&D Europe and R&D Systems' research and development expenses increased \$293,878 and \$84,814, respectively, for the quarter ended March 31, 1997 and \$946,706 and \$307,901, respectively, for the nine months ended March 31, 1997. The increases related to products currently under development, several of which were released in the first nine 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 \$647,106 from \$3,698,796 in the third quarter of fiscal 1996 to \$4,345,902 in the third quarter of fiscal 1997. Earnings before taxes for the nine months ended March 31, 1997 increased \$2,125,831 from \$8,677,831 to \$10,803,662. The increase in earnings before income taxes was mainly due to an increase in Biotechnology Division earnings of \$1,100,693 and \$2,387,593 for the quarter and nine months ended March 31, 1997 as a result of increased sales and gross margins. R&D Europe earnings decreased \$484,263 and \$129,991 for the quarter and nine months, respectively as a result of the restructuring charge. Hematology earnings before tax increased \$32,044 for the quarter ended March 31, 1997 and decreased \$124,949 for the nine months ended March 31, 1997.

Income taxes for the quarter and nine months ended March 31, 1997 and 1996 were provided at a rate of approximately 32% and 31% of consolidated pretax earnings, respectively. 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 March 31, 1997, cash and cash equivalents and short-term investments were \$19,598,342 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 \$7,230,229 from operating activities in the first nine months of fiscal 1997 compared to \$6,456,392 for the first nine months of fiscal 1996. The increase was mainly the result of increased net earnings offset by decreased current liabilities.

#### Cash Flows From Investing Activities

During the nine months ended March 31, 1997 and 1996, the Company increased short-term investments \$2,379,586 and \$218,560, 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 \$3,876,338 for the first nine months of fiscal 1997, compared to \$5,511,836 for the first nine months of fiscal 1996. Included in the fiscal 1997 and 1996 additions were \$2,825,226 and \$3,970,000 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 \$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 \$115,096 and \$364,125 was received during the nine months ended March 31, 1997 and 1996, respectively, for the exercise of options for 8,500 and 64,500 shares of common stock. During the first nine 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 nine months of fiscal 1997 and 1996, the Company purchased and retired 117,300 and 36,200 shares, respectively, of Company common stock at market values of \$2,976,452 and \$676,206. In May 1995, the Company announced a plan to purchase and retire up to \$5,000,000 of its common stock. Through May 1, 1997, 198,500 shares have been purchased at a market value of \$4,283,411. Subject to market conditions and share price, the Company has extended its stock repurchase program and plans to purchase and retire up to an additional \$5,000,000 of 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

None

### 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: May 14, 1997          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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<ARTICLE> 5

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