

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2001, 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 May 2, 2001, 41,428,990 shares of the Company's Common Stock (par value
\$.01) were outstanding.

ITEM 1 - FINANCIAL STATEMENTS

TECHNE CORPORATION & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	3/31/01	6/30/00
	-----	-----
ASSETS		
Cash and cash equivalents	\$ 18,621,915	\$ 17,356,108
Short-term investments	69,069,281	42,468,183
Accounts receivable (net)	15,143,807	14,056,481
Interest receivable	2,336,873	1,544,387
Inventories	5,089,922	4,651,615
Income taxes receivable	-	3,290,314
Deferred income taxes	2,507,000	2,440,000
Other current assets	1,023,087	494,117
	-----	-----
Total current assets	113,791,885	86,301,205

Deferred income taxes	4,064,000	3,938,000		
Property and equipment (net)	46,817,974	46,266,177		
Intangible assets (net)	29,668,560	36,335,500		
Other assets	7,426,015	7,568,699		
	-----	-----		
TOTAL ASSETS	\$201,768,434	\$180,409,581		
	=====	=====		
LIABILITIES & EQUITY				
Trade accounts payable	\$ 3,088,176	\$ 2,630,164		
Salary and related accruals	2,214,605	2,998,696		
Other payables	6,125,919	6,107,979		
Income taxes payable	1,488,165	-		
Current portion of long-term debt	869,120	824,315		
	-----	-----		
Total current liabilities	13,785,985	12,561,154		
Royalty payable	4,884,000	7,768,000		
Long-term debt	18,274,789	18,935,049		
Common stock, par value \$.01 per share; authorized 100,000,000; issued and outstanding 41,428,990 and 41,381,998, respectively	414,290	413,820		
Additional paid-in capital	53,930,118	52,857,444		
Retained earnings	111,814,382	88,336,230		
Accumulated other comprehensive loss	(1,335,130)	(462,116)		
	-----	-----		
Total stockholders' equity	164,823,660	141,145,378		
	-----	-----		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$201,768,434	\$180,409,581		
	=====	=====		

See notes to unaudited Consolidated Financial Statements.

TECHNE CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/01	3/31/00	3/31/01	3/31/00
	-----	-----	-----	-----
Sales	\$30,240,889	\$26,776,906	\$84,651,118	\$76,524,798
Cost of sales	7,492,795	6,382,933	21,063,962	20,357,435
	-----	-----	-----	-----
Gross margin	22,748,094	20,393,973	63,587,156	56,167,363
Operating expenses (income):				
Selling, general and administrative	4,551,285	4,356,323	13,180,533	13,485,476
Research and development	3,857,116	2,468,439	10,720,325	8,320,262
Amortization expense	2,222,313	2,307,313	6,666,940	6,921,938
Interest expense	338,843	356,783	1,042,477	1,087,974
Interest income	(904,975)	(421,423)	(2,425,191)	(950,127)
	-----	-----	-----	-----
	10,064,582	9,067,435	29,185,084	28,865,523
	-----	-----	-----	-----
Earnings before income taxes	12,683,512	11,326,538	34,402,072	27,301,840
Income taxes	2,519,000	3,677,000	9,752,000	9,240,000
	-----	-----	-----	-----
Net earnings	\$10,164,512	\$ 7,649,538	\$24,650,072	\$18,061,840
	=====	=====	=====	=====

Earnings per share
(Note D):

Basic earnings per share	\$ 0.25	\$ 0.19	\$ 0.59	\$ 0.45
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Diluted earnings per share \$ 0.24 \$ 0.18 \$ 0.58 \$ 0.43

Weighted average common shares outstanding:

Basic 41,452,109 40,736,596 41,441,347 40,462,740
Diluted 42,530,383 42,471,990 42,710,247 42,077,146

See notes to unaudited Consolidated Financial Statements.

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

NINE MONTHS ENDED

3/31/01 3/31/00

CASH FLOWS FROM OPERATING ACTIVITIES:

Net earnings	\$ 24,650,072	\$ 18,061,840
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	9,434,430	9,289,286
Deferred income taxes	(232,000)	(687,000)
Other	642,684	(100,548)
Change in current assets and current liabilities:		
(Increase) decrease in:		
Accounts receivable/interest receivable	(2,138,885)	(1,462,221)
Inventories	(499,330)	1,387,063
Other current assets	(545,020)	(131,475)
Increase (decrease) in:		
Trade account/other payables	(2,462,187)	(1,993,822)
Salary and related accruals	(770,116)	710,104
Income taxes, net	5,162,911	1,838,672

NET CASH PROVIDED BY OPERATING ACTIVITIES 33,242,559 26,911,899

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of short-term investments	(44,329,044)	(24,315,000)
Proceeds from sale of short-term investments	17,727,946	10,035,879
Additions to property and equipment	(3,344,760)	(27,621,979)
Real estate deposit	-	(2,001,000)
Increase in other long term assets	(500,000)	(1,552,160)

NET CASH USED IN INVESTING ACTIVITIES (30,445,858) (45,454,260)

CASH FLOWS FROM FINANCING ACTIVITIES:

Issuance of common stock	758,992	3,730,714
Proceeds from issuance of long-term debt	-	20,400,000
Payments on long-term debt	(615,455)	(446,347)
Repurchase of common stock	(1,163,768)	-

NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES (1,020,231) 23,684,367

EFFECT OF EXCHANGE RATE CHANGES ON CASH (510,663) 246,827

NET CHANGE IN CASH AND EQUIVALENTS 1,265,807 5,388,833
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD 17,356,108 12,769,468

CASH AND EQUIVALENTS AT END OF PERIOD \$ 18,621,915 \$ 18,158,301

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 2000. The Company follows these policies in preparation of the interim Financial Statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that the Consolidated Financial Statements be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto for the fiscal year ended June 30, 2000 included in the Company's Annual Report to Shareholders for Fiscal 2000.

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

	3/31/01	6/30/00
	-----	-----
ACCOUNTS RECEIVABLE		
Accounts receivable	\$15,296,807	\$14,218,481
Less reserve for bad debts	153,000	162,000
	-----	-----
NET ACCOUNTS RECEIVABLE	\$15,143,807	\$14,056,481
	=====	=====
INVENTORIES		
Raw materials	\$ 2,276,930	\$ 2,288,719
Supplies	146,235	124,732
Finished goods	2,666,757	2,238,164
	-----	-----
TOTAL INVENTORIES	\$ 5,089,922	\$ 4,651,615
	=====	=====
FIXED ASSETS		
Land	\$ 871,000	\$ 871,000
Buildings and improvements	46,398,373	43,965,312
Laboratory equipment	14,770,567	14,114,039
Office equipment	3,654,875	3,535,164
Leasehold improvements	168,689	180,770
	-----	-----
	65,863,504	62,666,285
Less accumulated depreciation and amortization	19,045,530	16,400,108
	-----	-----
NET FIXED ASSETS	\$46,817,974	\$46,266,177
	=====	=====
INTANGIBLE ASSETS		
Customer list	\$18,010,000	\$18,010,000
Technology licensing agreements	500,000	500,000
Goodwill	39,075,089	39,075,089
	-----	-----
	57,585,089	57,585,089
Less accumulated amortization	27,916,529	21,249,589
	-----	-----
NET INTANGIBLE ASSETS	\$29,668,560	\$36,335,500
	=====	=====

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

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," which provides guidance in applying generally accepted accounting principles to revenue recognition in financial statements. The application of this SAB did not have a material impact on the Company's reported operating results or financial position.

B. EARNINGS PER SHARE:

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

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/01	3/31/00	3/31/01	3/31/00
Weighted average common shares outstanding-basic	41,452,109	40,736,596	41,441,347	40,462,740
Dilutive effect of stock options and warrants	1,078,274	1,735,394	1,268,900	1,614,406
Average common shares outstanding-diluted	42,530,383	42,471,990	42,710,247	42,077,146

C. SEGMENT INFORMATION:

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

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/01	3/31/00	3/31/01	3/31/00
External sales				
Hematology	\$ 3,248,378	\$ 3,143,364	\$10,434,272	\$ 9,527,863
Biotechnology	19,399,700	16,658,266	53,906,598	47,192,193
R&D Systems Europe	7,592,811	6,975,276	20,310,248	19,804,742
Total external sales	\$30,240,889	\$26,776,906	\$84,651,118	\$76,524,798
Intersegment sales				
Hematology	\$ --	\$ --	\$ --	\$ --
Biotechnology	3,940,320	3,711,183	11,225,897	10,167,601
R&D Systems Europe	31,500	27,195	68,882	110,826
Total intersegment sales	\$ 3,971,820	\$ 3,738,378	\$11,294,779	\$10,278,427
Income before taxes				
Hematology	\$ 861,258	\$ 869,536	\$ 3,309,908	\$ 2,746,207
Biotechnology	10,402,814	9,090,026	28,768,623	22,121,598
R&D Systems Europe	1,739,481	1,455,526	4,100,548	3,731,621
Corporate and other	(320,041)	(88,550)	(1,777,007)	(1,297,586)
Total income before taxes	\$12,683,512	\$11,326,538	\$34,402,072	\$27,301,840

D. STOCK SPLIT:

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

E. CONTINGENCIES:

A party has presented invoices in the amount of \$28 million for materials provided to the Company over past years, allegedly pursuant to a contract under which no accounting or invoices were rendered for nine years. The Company has brought a declaratory judgment action seeking to have the court declare that no amount is owed. The Company's management believes that no material amount is owed, that it has claims against the other party, and that the ultimate resolution of the matter will not have a material adverse effect on the financial condition or results of operations of the Company.

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

Results of Operations Quarter and Nine Months Ended March 31, 2001 vs. Quarter and Nine Months Ended March 31, 2000

Techne Corporation (Techne) has two operating subsidiaries: Research and Diagnostic Systems, Inc. (R&D Systems) located in Minneapolis, Minnesota and R&D Systems Europe Ltd. (R&D Europe) located in Abingdon, England. R&D Systems has two divisions: Biotechnology and Hematology. The Biotechnology Division's principal products are purified cytokines (proteins), antibodies and assay kits, which are sold primarily to biomedical researchers at pharmaceutical companies and academic and government research laboratories. The Hematology Division's principal products are whole blood hematology controls and calibrators which are sold to hospital and clinical laboratories to check the performance of their hematology instruments to assure the accuracy of hematology test results. R&D Europe sells R&D Systems' biotechnology products in Europe, both directly and through a sales subsidiary in Germany. The Company has a foreign sales corporation, Techne Export Inc.

The Company has an equity interest in ChemoCentryx, Inc. (CCX), a technology and drug development company working in the area of chemokines. Chemokines are cytokines which regulate the trafficking patterns of leukocytes, the effector cells of the human immune system. In conjunction with the equity investment and joint research efforts, Techne obtains exclusive worldwide research and diagnostic marketing rights to chemokine proteins, antibodies and receptors discovered or developed by CCX or R&D Systems. The Company accounts for this investment under the equity method of accounting and through January 2001 had a 49% interest in CCX. Through January 2001, the Company recognized 100% of CCX's losses 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 additional preferred stock. The Company currently holds approximately 26% of the outstanding stock of CCX and is recognizing CCX operating results based on its ownership percentage. The Company's net investment in CCX was \$3,191,791 and \$3,553,516 at March 31, 2001 and June 30, 2000, respectively.

Net Sales

Net sales for the quarter ended March 31, 2001 were \$30,240,889, an increase of \$3,463,983 (13%) from the quarter ended March 31, 2000. Sales for the nine months ended March 31, 2001 increased \$8,126,320 (11%) from \$76,524,798 to \$84,651,118. R&D Systems' Biotechnology Division sales increased \$2,741,434 (16%) and \$6,714,405 (14%) and R&D Systems' Hematology Division sales increased \$105,014 (3%) and \$906,409 (10%) for the quarter and nine months, respectively. R&D Europe sales increased \$617,535 (9%) and \$505,506 (3%) for the quarter and nine months ended March 31, 2001. R&D Europe's revenue increase was effected by changes in foreign currency exchange rates. In British pounds, R&D Europe's sales increased 20% and 14% over the third quarter and first nine months of last year. Adjusted for all changes in exchange rates, R&D Europe's revenues for the third quarter and first nine months of fiscal 2001 would have been approximately \$.6 million and \$2.5 million higher than reported.

Gross Margins

Gross margins for the third quarter of fiscal 2001 were 75.2% compared to

76.2% for the same quarter in fiscal 2000. Margins for the nine months ended March 31, 2001 were 75.1% compared to 73.4% for the same period in fiscal 2000.

Biotechnology Division margins decreased slightly from 79.7% to 78.5% for the quarter, but increased from 75.7% to 78.6% for the nine months ended March 31, 2001. Margins in the first six months of last year were affected by the higher cost of inventory acquired from Genzyme Corporation. R&D Europe gross margins decreased from 40.6% to 39.3% for the quarter and from 42.8% to 38.1% for the nine months ended March 31, 2001 as a result of changes in exchange rates. Hematology Division gross margins decreased from 44.9% to 40.9% for the quarter and from 46.3% to 44.9% for the nine months as a result of changes in product mix.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$194,962 (4%) from the third quarter of last year, but decreased \$304,943 (2%) from the first nine months of last year. The increase in the third quarter of fiscal 2001 was due to the timing of certain printing and promotion costs. The decrease in selling, general and administrative expenses in the first nine months of fiscal 2001 was mainly the result of exchange rate changes.

Research and Development Expenses

Research and development expenses increased \$1,388,677 (56%) and \$2,400,063 (29%) for the quarter and nine months ended March 31, 2001. Research and development expenses by R&D Systems increased \$951,000 (33%) and \$1,888,000 (22%) for the quarter and nine months, respectively. The R&D Systems research expense increase relates to products currently under development, many of which are expected to be released in fiscal 2001 and 2002. Products currently under development include both biotechnology and hematology products. Research expenses related to ChemoCentryx increased \$450,000 and \$718,000 for the quarter and nine months ended March 31, 2001 as a result of increased spending. The increases in research and development expenses by R&D Systems and ChemoCentryx were offset by a reduction in R&D Europe research expenses as a result of the cancellation of a research agreement with British Biotechnology Group plc. and the completion of the transfer of all R&D Europe research activities to R&D Systems.

Net Earnings

Earnings before income taxes increased \$1,356,974 from \$11,326,538 in the third quarter of fiscal 2000 to \$12,683,512 in the third quarter of fiscal 2001. Earnings before taxes for the nine months increased \$7,100,232 from \$27,301,840 to \$34,402,072. The increase in earnings before income taxes was due primarily to the increase in sales discussed previously.

Income taxes for the quarter and nine months ended March 31, 2001 were provided at a rate of approximately 20% and 28% of consolidated pretax earnings compared to 32% and 34% for the quarter and first nine months of the prior year. The decrease in tax rate from the prior year is due primarily to a one-time \$1.4 million credit in the third quarter of fiscal 2001 as a result of the close-out of pending issues related to a state income tax examination for fiscal years 1996 through 1999. The tax rate is also effected by an increase in tax exempt interest income. U.S. federal taxes have been reduced by the credit for research and development expenditures and the benefit of the foreign sales corporation. Foreign income taxes have been provided at rates which approximate the tax rates in the United Kingdom and Germany.

Liquidity and Capital Resources

At March 31, 2001, cash and cash equivalents and short-term investments were \$87,691,196 compared to \$59,824,291 at June 30, 2000. The Company believes it can meet its future cash, working capital and capital addition requirements through currently available funds, cash generated from operations and maturities of short-term investments. The Company has an unsecured line of credit of \$750,000. The interest rate on the line of

credit is at prime. There were no borrowings on the line in the prior or current fiscal years.

Cash Flows From Operating Activities

The Company generated cash of \$33,242,559 from operating activities in the first nine months of fiscal 2001 compared to \$26,911,899 for the first nine months of fiscal 2000. The increase was mainly the result of increased net earnings.

Cash Flows From Investing Activities

During the nine months ended March 31, 2001 and March 31, 2000, short-term investments increased by \$26,601,098 and \$14,279,121, respectively. The Company's investment policy is to place excess cash in short-term tax-exempt bonds. The objective of this policy is to obtain the highest possible return with the lowest risk, while keeping the funds accessible.

Capital expenditures for fixed assets for the first nine months of fiscal 2001 and 2000 were \$3,344,760 and \$27,621,979 (including \$21.9 million for the purchase of R&D Systems' Minneapolis facility), respectively. Included in the fiscal 2001 and 2000 additions were \$1,739,000 and \$4,364,000 for building improvements related to remodeling of facilities by R&D Systems. The remaining capital additions in fiscal 2001 and 2000 were for laboratory and computer equipment. Total expenditures for capital additions and building improvements planned for the remainder of fiscal 2001 are expected to cost approximately \$3.5 million and are expected to be financed through currently available funds and cash generated from operating activities.

During the first nine months of fiscal 2000, the Company invested an additional \$1 million in ChemoCentryx, Inc. The Company also paid \$2,001,000 and issued warrants to purchase 120,000 shares of common stock as a deposit on an option to purchase property adjacent to its Minneapolis facility.

Cash Flows From Financing Activities

Cash of \$758,992 and \$3,730,714 was received during the nine months ended March 31, 2001 and 2000, respectively, for the exercise of options for 86,216 and 665,346 shares of common stock. During the first nine months of fiscal 2001 and 2000 options for 1,000 and 77,584 shares of common stock were exercised by the surrender of 224 and 12,942 shares of the Company's common stock with fair market values of \$8,552 and \$305,510, respectively.

During the first nine months of fiscal 2001, the Company purchased and retired 40,000 shares of Company common stock at a market value of \$1,163,768. The Board of Directors has authorized the Company, subject to market conditions and share price, to purchase and retire up to \$20 million of its common stock. From the start of the repurchase program through May 2, 2001, 1,341,200 shares have been purchased at a market value of \$9,917,882.

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

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At March 31, 2001, the Company had an investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of \$69,069,281. These securities, like all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase. However, the Company has the ability to hold its fixed income investments until maturity and therefore the Company does not expect any such increase in interest rates to have an adverse impact on income or cash flows.

The Company operates internationally, and thus is subject to potentially adverse movements in foreign currency rate changes. The Company does not enter into foreign exchange forward contracts to reduce its exposure to foreign currency rate changes on intercompany foreign currency denominated balance sheet positions.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

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

ITEM 2 - CHANGES IN SECURITIES

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 - SUBMISSION OF MATTERS TO VOTE OF SHAREHOLDERS

None

ITEM 5 - OTHER INFORMATION

Forward Looking Information and Cautionary Statements: Statements in this filing, and elsewhere, which look forward in time involve risks and uncertainties which may affect the actual results of operations. The following important factors, among others, have affected and, in the future, could affect the Company's actual results: the introduction and acceptance of new biotechnology and hematology products, the levels and particular directions of research into cytokines by the Company's customers, the impact of the growing number of producers of cytokine research products and related price competition, the retention of hematology OEM and proficiency survey business, the impact of changes in foreign currency exchange rates, the outcome of litigation involving the Company and the costs and results of research and product development efforts of the Company and of companies in which the Company has invested or with which it has formed strategic relationships.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

A. EXHIBITS

None.

B. REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 2001.

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)

President, Chief Executive and
Financial Officer