TECHNE CORPORATION

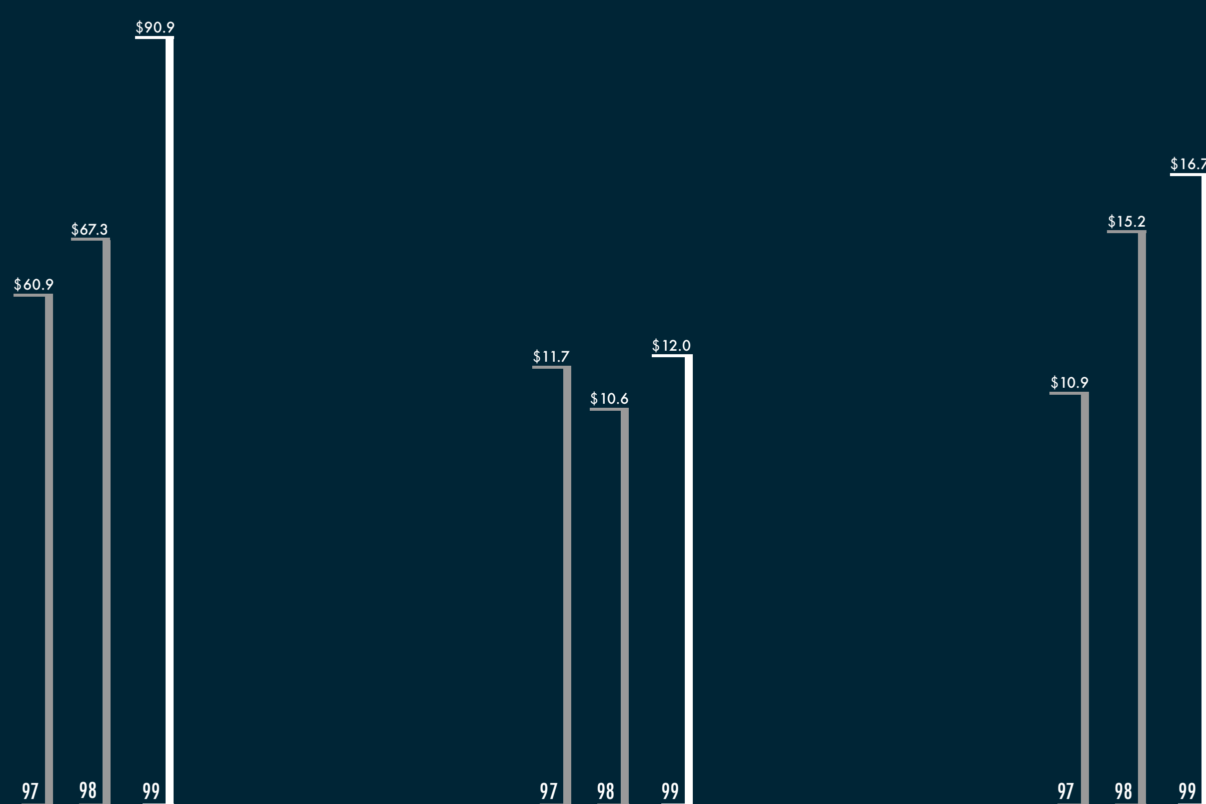
1999 ANNUAL REPORT

NASDAQ: TECH

FINANCIAL HIGHLIGHTS

	Year Ended June 30, 1999	1998	1997
Net sales	$ 90,900,697	$ 67,291,438	$ 60,923,750
Research and development	$ 12,004,798	$ 10,637,804	$ 11,701,822
Net earnings	$ 16,656,010	$ 15,182,961	$ 10,881,662
Diluted earnings per share	$ .81	$ .77	$ .56

	June 30, 1999	1998	1997
Cash, cash equivalents and short-term investments	$ 29,114,124	$ 41,435,542	$ 24,752,257
Working capital	$ 37,387,816	$ 49,931,997	$ 34,898,992
Total assets	$123,800,519	$ 72,785,228	$ 53,921,710
Stockholders' equity	$ 96,838,387	$ 63,830,767	$ 48,081,044
Common shares outstanding	20,132,655	19,049,983	18,875,456



Net Sales
(In Millions)

Research and Development
(In Millions)

Net Earnings
(In Millions)

TO OUR SHAREHOLDERS

Fiscal 1999 was another excellent year for TECHNE and we are pleased to again report record financial results. Perhaps more importantly, however, during 1999 we significantly enhanced our position as the dominant worldwide supplier of cytokines and cytokine-related products with the acquisition and highly successful integration of Genzyme's research products business. In addition, through our continuing process of product development, our investments in people and facilities, and our investments in collaborative research, we find ourselves at the beginning of our year 2000 better positioned to continue growing TECHNE's business than ever before in our history.

Here are the highlights of TECHNE's fiscal 1999:

- Consolidated revenues increased 35.1% to $90.9 million and net earnings were $16.7 million, or 81 cents per share, compared with $15.2 million, or 77 cents per share in 1998. These are very good results, considering that we amortized nearly $9.6 million of goodwill and other charges associated with the Genzyme acquisition; paid Genzyme $3.8 million in royalties on the sale of biotechnology products; expensed $5.3 million in acquired inventories through cost of sales; and increased outstanding shares by 1.1 million.
- Operating earnings, before consideration of acquisition related charges, increased 59% to $35.6 million, compared with $22.4 million in 1998.
- Operating cash flow increased 36.1% to $28.4 million, compared with $20.9 million in 1998.
- Return on average equity, without consideration of acquisition-related charges, increased to 28.3%, compared with 27.1% in 1998. Since we had no debt at year-end, our return on invested capital was also 28.3%, well in excess of our cost of capital.
- We introduced 492 new products in fiscal 1999, bringing our product line to more than 2,500 products, with a list of more than 12,000 customers worldwide. Virtually all of Genzyme's customers became R&D Systems customers during the year, and we were able to increase the volume of our business with many of them because of the significantly greater breadth of our product lines.

We are very pleased with the seamless integration of the Genzyme research products business into our larger R&D Systems biotechnology business. The real credit for this achievement belongs to our employees. We did not acquire any new U.S. employees or facilities in this transaction. Rather, we acquired customer lists, an international distribution network, inventories, trademarks and certain manufacturing technologies. Integrating this entire business fell to TECHNE's employees and they did an extraordinary job, virtually without incident or difficulty. I personally thank them.

We are better positioned and have greater flexibility today than at any time in our history. As the direct result of continuous product development and absolute quality over a long period of time, our presence in the scientific community is very strong. This constantly leads us to new opportunities to grow our business in the areas of our core competencies. Our strategy is to maximize the value of our already prolific product development engine by: (1) Continuing to develop our excellent employee base (more than 80% of whom are directly involved in product development and production); (2) Investing in new technologies through research collaborations, joint ventures and potential acquisitions, thereby expanding our core competencies; and (3) Continuing to invest in our own facilities.

Along these lines, we chose during the year to exercise the purchase option in our facilities lease agreement with our long-time landlord who was preparing to sell our buildings to a third party. We concluded that owning our facilities, which we have significantly improved and expanded over the last several years, would afford us the additional flexibility we need to continue expanding without limitation. As part of this transaction, we negotiated purchase options on enough additional contiguous space to more than double our size. We have always been rewarded for planning ahead on our facilities, because our business has always grown faster than we expected.

We are very confident in our future. Please join us at our facility in Minneapolis for our annual meeting on Thursday, October 21, 1999.

Thank you for your continuing support.

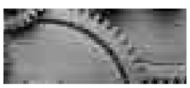
Thomas E. Oland

Thomas E. Oland, for the Board of Directors, September 1999

PEOPLE
PRODUCT
FACILITIES

TECHNE'S PROLIFIC DEVELOPMENTAL ENGINE

TECHNE's talented people and state-of-the-art facilities, plus the investments we continue to make in new technologies, form a prolific developmental engine. We introduced 492 new products in fiscal 1999, exclusive of the products we acquired from Genzyme. This brought our product line to more than 2,500 products, with a list of more than 12,000 customers worldwide.

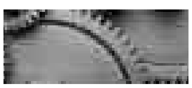


Because we pay close attention to biotechnology research developments, and because of our excellent reputation among researchers worldwide, we enjoy a special partnership that often leads to new product opportunities. For example, when we supply cytokine-related products for a research project, or discover a promising research project in the literature, we stay in contact with the researchers to understand their results and discoveries. This provides opportunities for the development of new products to support the next and subsequent phases of that research. Extending this phenomenon across our entire worldwide market, we have a prolific product development engine that is driven both by the speed and reach of worldwide biotechnology research and the strategic utilization of our people and facilities.

CYTOKINES
APOPTOSIS
MMPs

PRODUCT DEVELOPMENT FOCUS

Cytokines and Cytokine-related products continue to be a primary focus of TECHNE's developmental activities. When we started our Biotechnology business, fewer than 20 cytokines were known to researchers. Today, we recombinantly produce more than 325 naturally occurring cytokines that are believed by many researchers to be a key to understanding a number of biological processes and disease states, including cancer, AIDS, hematopoiesis and autoimmune diseases. We expect many more cytokines to be discovered. When they are, we will produce them.



Apoptosis is the programmed death of cells in the body. This process literally balances life and death, creating a dynamic equilibrium that replaces old cells with new. The ability to understand and modify this pre-programming of cells is believed by researchers to be another important key in understanding conditions such as cancer, AIDS and autoimmune diseases. Our important core competency in Apoptosis has evolved over several years from our expertise in cytokines. We are currently producing a variety of Apoptosis research tools, including proteins, antibodies, genes, probes, primers and immunoassays.

Matrix Metalloproteinases (MMPs) are naturally occurring enzymes that are integral to cell division and growth. They are a particular focus of researchers in the areas of organ and tissue development, wound healing and the control of cancerous tumor growth. The development of tools for researchers to learn how MMPs work, what they do, and how to control them, is a developing core competency for TECHNE which we believe will be an important area of future growth for us. Current products include several MMP antibodies and immunoassays used to measure the presence and quantities of MMPs.

SELECTED FINANCIAL DATA

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Revenue, Earnings and Cash Flow Data for the Years Ended June 30	*1999 (1)*	*1998*	*1997*	*1996*	*1995*
Net sales	$ 90,901	$67,291	$60,924	$54,589	$47,716
Gross margin	69.9%	70.3%	68.7%	65.2%	61.3%
Selling, general and administrative expense	18.6%	22.8%	23.9%	23.7%	23.4%
Research and development expenses	13.2%	15.8%	19.2%	19.1%	18.0%
Interest expense	—	—	29	2	9
Earnings before income taxes	26,054	22,411	15,988	12,592	9,648
Net earnings	16,656	15,183	10,882	8,638	6,706
Diluted earnings per share	0.81	0.77	0.56	0.44	0.35
Capital expenditures	5,564	2,780	4,243	6,377	1,311
Depreciation and amortization	11,890	2,303	2,322	1,872	1,655
Change in net working capital	(12,544)	15,033	6,639	4,573	6,310
Net cash provided by operating activities	28,422	20,875	12,477	9,760	7,314
Return on sales	18.3%	22.6%	17.9%	15.8%	14.1%
Return on average equity	20.7%	27.1%	25.0%	25.3%	25.6%

Balance Sheet, Common Stock and Employee Data as of June 30	*1999 (1)*	*1998*	*1997*	*1996*	*1995*
Cash, cash equivalents and short-term investments	$ 29,114	$41,436	$24,752	$19,250	$15,945
Receivables	13,520	10,002	9,114	8,380	7,386
Inventories	5,715	3,811	4,087	3,653	3,266
Working capital	37,388	49,932	34,899	28,260	23,687
Total assets	123,801	72,785	53,922	44,393	34,062
Long-term debt	—	—	—	—	—
Stockholders' equity	96,838	63,831	48,081	38,874	29,520
Average common and common equivalent shares (in thousands)	20,687	19,608	19,463	19,443	19,044
Book value per share	4.81	3.35	2.55	2.04	1.57
Share price(4):					
High	29.50	20.00	15.25	16.50	7.94
Low	12.25	13.44	10.13	6.63	4.38
Price to earnings ratio	31	25	27	33	19
Current ratio	3.78	7.84	8.12	6.62	6.75
Quick ratio	3.17	7.05	6.91	5.49	5.66
Full-time employees	402	356	326	341	315

(1) The Company acquired the research products business of Genzyme Corporation on July 1, 1998.

(2) The Company acquired its English subsidiary, R&D Systems Europe Ltd. effective July 1, 1993.

(3) The Company sold its French subsidiary effective October 1, 1991 and acquired the research reagent and diagnostic kit businesses of Amgen Inc. on August 19, 1991.

(4) The Company's common stock began trading on the NASDAQ Stock Exchange on February 1, 1989. It previously traded on the local over-the-counter market.

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.

	1994[2]	1993	1992[3]	1991	1990	1989
	$40,330	$28,738	$22,304	$19,330	$15,682	$12,467
	57.9%	54.3%	52.3%	51.5%	51.2%	49.5%
	22.9%	17.4%	22.3%	29.5%	30.0%	34.5%
	16.0%	12.7%	11.6%	10.4%	12.2%	10.5%
	22	69	178	89	88	83
	7,223	6,469	3,253	2,232	1,393	538
	5,094	4,382	1,964	1,684	1,181	380
	0.27	0.23	0.11	0.10	0.07	0.02
	1,332	2,626	547	906	425	295
	1,837	1,349	1,042	486	317	201
	4,739	3,466	4,007	894	942	298
	6,304	4,471	3,907	1,837	1,092	314
	12.6%	15.2%	8.8%	8.7%	7.5%	3.0%
	25.0%	30.2%	22.4%	30.8%	30.7%	13.2%

	1994[2]	1993	1992[3]	1991	1990	1989
	$10,866	$ 7,818	$ 5,870	$ 1,980	$ 1,308	$ 1,030
	6,593	4,791	3,214	3,349	3,133	2,487
	2,514	1,684	2,170	2,081	1,926	1,642
	17,377	12,638	9,172	5,165	4,271	3,329
	26,806	20,374	15,693	9,567	7,964	6,074
	—	30	2,066	467	760	544
	22,955	17,758	11,183	6,322	4,615	3,088
	19,034	18,893	18,369	17,326	16,876	16,612
	1.23	0.95	0.62	0.40	0.29	0.20
	8.13	9.25	6.88	3.63	1.38	1.06
	4.63	4.50	3.25	1.06	0.63	0.63
	19	32	49	36	40	26
	5.88	6.31	4.75	2.99	2.89	2.69
	4.91	5.29	3.72	2.05	1.97	1.80
	277	206	157	131	110	89

Company Structure

TECHNE (the Company) has two operating subsidiaries: R&D 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 also has a foreign sales corporation, Techne Export Inc.

Results of Operations

Net sales for fiscal 1999 were $90,900,697, an increase of $23,609,259 (35%) from fiscal 1998. Sales by R&D Systems for the period increased $18,136,520 (37%), while sales by R&D Europe increased $5,472,739 (31%). The increase in consolidated sales for the fiscal year was due, in part, to the acquisition of Genzyme Corporation's research products business on July 1, 1998. In addition, the increase in consolidated sales was due to increased sales of R&D Systems products to both R&D Systems customers and to former Genzyme customers as they were converted from Genzyme products to R&D Systems products.

Net sales for fiscal 1998 were $67,291,438, an increase of $6,367,688 (10%) from fiscal 1997. Sales by R&D Systems for the period increased $7,489,032 (18%), while sales by R&D Europe decreased $1,121,344 (6%). The increase in consolidated sales for the fiscal year was due largely to increased sales of proteins and antibodies. The decrease in R&D Europe sales was not unexpected due to the discontinuance of the molecular biology product line. R&D Europe sales of continuing product lines increased 22% from fiscal 1997.

Net sales for fiscal 1997 were $60,923,750, an increase of $6,334,696 (12%) from fiscal 1996. Sales by R&D Europe for the period increased $2,555,914 (16%), while sales by R&D Systems increased $3,778,782 (10%). The majority of the increase in consolidated sales for the fiscal year was due to an increase in sales of proteins and antibodies.

Gross margins, as a percentage of sales, decreased slightly from 70.3% in fiscal 1998 to 69.9% in fiscal 1999. Biotechnology Division gross margins decreased from 72.9% to 70.8% as a result of lower gross profit levels on inventory acquired from Genzyme and the write-off of obsolete Genzyme packaging and kit components due to conversion of customers to R&D Systems labeled product. R&D Europe and Hematology Division gross margins did not change significantly from the prior year.

Gross margins, as a percentage of sales, increased from 68.7% in fiscal 1997 to 70.3% in fiscal 1998. R&D Europe gross margins decreased from 52.5% to 46.1% due to changes in product mix and exchange rates. Biotechnology Division gross margins increased from 71.8% to 72.9% as a result of changes in product mix and increased production volumes. Hematology Division gross margins increased from 42.9% in fiscal 1997 to 47.2% in fiscal 1998 also as a result of changes in product mix and increased production volumes.

Gross margins, as a percentage of sales, increased from 65.2% in fiscal 1996 to 68.7% in fiscal 1997. R&D Europe gross margins increased from 51.2% to 52.5% due to favorable exchange rates. Biotechnology Division gross margins increased from 69.3% to 71.8% due to lower royalty expense as a result of the conclusion of royalty payments to Amgen Inc. and lower manufacturing costs due to increased production volumes. Hematology Division gross margins increased from 40.1% in fiscal 1996 to 42.9% in fiscal 1997 as a result of changes in product mix.

Selling, general and administrative expenses increased $1,494,457 (10%) in fiscal 1999. The majority of the increase in consolidated selling, general and administrative expenses was due to additional sales personnel added in the U.S. and Europe and additional advertising and promotion activities.

Selling, general and administrative expenses increased $782,425 (5%) in fiscal 1998. The majority of the increase in consolidated selling, general and administrative expenses was the result of additional occupancy costs at R&D Systems, plus increased advertising and promotion costs. These increased costs were partially offset by decreased personnel costs at R&D Europe as a result of the restructuring of operations undertaken in fiscal 1997.

Selling, general and administrative expenses increased $1,634,862 (13%) in fiscal 1997. Included in selling, general and administrative expenses for fiscal 1997 was a restructuring charge of approximately $450,000 related to R&D Europe. The restructuring involved 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. R&D Europe's sales function was not affected by the restructuring. The increase in consolidated selling, general and administrative expenses in fiscal 1997 was also the result of an increase in Biotechnology Division sales and marketing expenses as a result of additional staff and increased advertising and promotion activities.

Research and development expenses increased $1,366,994 in fiscal 1999, decreased $1,064,018 in fiscal 1998 and increased $1,288,558 in fiscal 1997. The decrease in research and development expenses in fiscal 1998 was the result of a decrease of $1,235,000 in payments by R&D Europe under the Joint Biological Research Agreement with British Bio-technology Group, plc, and a decrease in R&D Europe personnel costs as a result of the restructuring. Excluding the above, the increase in consolidated research and development expenses for the past three years was 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. Management of the Company believes that R&D Systems will continue to develop new products.

Earnings before taxes increased from $22,410,961 in fiscal 1998 to $26,054,010 in fiscal 1999, despite $9.54 million in intangible asset amortization in fiscal 1999 related to the Genzyme acquisition. The increase in earnings was primarily the result of a $3,073,439 increase in R&D Systems' Biotechnology Division earnings, a $583,237 increase in R&D Systems' Hematology Division earnings and a $942,983 increase in R&D Europe earnings, all as a result of increased sales. These increases were offset by increased net losses of the Company's equity investment in ChemoCentryx, Inc. of $744,209.

Earnings before taxes increased from $15,987,662 in fiscal 1997 to $22,410,961 in fiscal 1998. This increase in earnings was primarily the result of a $3,987,242 increase in R&D Systems' Biotechnology Division earnings and a $997,654 increase in Hematology Division earnings as a result of increased sales and gross margins. In addition, R&D Europe's earnings before taxes increased $2,052,874, despite a decrease in sales and gross margin, as a result of lower expenses due to the restructuring of operations.

Earnings before taxes increased from $12,591,870 in fiscal 1996 to $15,987,662 in fiscal 1997. This increase in earnings was primarily the result of a $3,165,195 increase in R&D Systems' Biotechnology Division earnings and a $329,872 increase in R&D Europe earnings. These increases in earnings before taxes were due to increased sales and gross margins, partially offset by higher expenses. Hematology Division earnings before taxes were slightly less than fiscal 1996 as a result of lower sales.

Income taxes for fiscal 1999, 1998 and 1997 were provided at rates of approximately 36%, 32% and 32%, respectively. The increase in the tax rate in fiscal 1999 was due to the net loss of the Company's equity investment in ChemoCentryx for which no tax benefit has been provided and additional U.S. federal taxes due to lower tax-exempt interest income and loss of the benefit from graduated income tax rates. U.S. federal and state taxes have been reduced as a result of tax-exempt interest income, the benefit of the foreign sales corporation, 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 United Kingdom and Germany.

Liquidity and Capital Resources

Cash, cash equivalents and short-term investments at June 30, 1999, were $29,114,124, a decrease of 30% from the prior year. This decrease was due to the cash outlay for the Genzyme acquisition. At June 30, 1998, cash, equivalents and short-term investments were $41,435,542 compared to $24,752,257 at June 30, 1997, an increase of 67%. The Company has an unsecured line of credit of $750,000 available at June 30, 1999. The interest rate on the line of credit is at the prime rate of 7.75% at June 30, 1999.

Management of the Company expects to be able to meet its future cash and working capital requirements for operations and capital additions (excluding real estate acquired in July 1999) through currently available funds, cash generated from operations and maturities of short-term investments.

Cash flows from operating activities. The Company generated cash from operations of $28,421,859, $20,875,469 and $12,476,548 in fiscal 1999, 1998 and 1997, respectively. The majority of cash generated from operating activities in all three years resulted from an increase in net earnings after adjustment for noncash expenses, partially offset by an increase in accounts receivable due to increased sales.

Cash flows from investing activities. On July 1, 1998 the Company acquired the research products business of Genzyme Corporation for $24.76 million cash, $17 million common stock and royalties on the Company's biotechnology sales for five years. Cash and equivalents at June 30, 1998 and maturities of short-term investments were used to finance the cash portion of the acquisition.

During fiscal 1999, the Company entered into agreements to acquire real estate occupied by R&D Systems in Minneapolis, Minnesota. The purchase price was approximately $28 million and a deposit of $4 million cash and 100,000 shares of common stock valued at $2.16 million was placed in escrow in fiscal 1999 in anticipation of the July 1, 1999 closing. On July 1, 1999 the Company acquired the real estate with an additional cash payment of $1.44 million and a $20.4 million, 15-year mortgage. In addition, on July 1, 1999, the Company paid $2 million and issued warrants to purchase 60,000 shares of common stock as a deposit on an option to purchase additional property adjacent to its Minneapolis facility. The $3.44 million payment on July 1, 1999 was funded from cash and cash equivalents on hand at June 30, 1999.

Capital additions were $5,564,033, $2,780,194 and $4,243,156 in fiscal 1999, 1998 and 1997, respectively. Included in fiscal 1999, 1998 and 1997 capital additions are leasehold improvements of $3,538,000, $1,195,000 and $2,935,000 related to R&D Systems' remodeling and expansion. The remaining capital additions in fiscal 1999, 1998 and 1997 were for laboratory, manufacturing and computer equipment. Total capital additions for equipment and building improvements planned for fiscal 2000 are expected to be approximately $8.8 million. All capital additions are expected to be financed through currently available cash, cash generated from operations and maturities of short-term investments.

The Company's net investment (withdrawal) in short-term investments in fiscal 1999, 1998 and 1997 was $1,022,721, ($831,955) and $4,326,439, respectively. The Company's investment policy is to place excess cash in tax-exempt bonds with the objective of obtaining the highest possible return with the lowest risk, while keeping funds accessible.

Cash flows from financing activities. The Company received $1,136,633, $919,831 and $582,846 for the exercise of options for 192,852, 97,541 and 91,000 shares of common stock in fiscal 1999, 1998 and 1997, respectively.

In fiscal 1999, 1998 and 1997, the Company purchased and retired 213,600, 20,000 and 254,600 shares of Company common stock at a market value of $3,941,950, $280,000 and $3,225,205, respectively. In May 1995, the Company announced a plan to purchase and retire up to $5 million of its common stock. In April 1997, this was increased an additional $5 million, subject to market conditions. Any such purchases will be funded from currently available cash.

The Company has never paid cash dividends and has no plans to do so in fiscal 2000. The Company's earnings will be retained for reinvestment in the business.

Year 2000 and Euro Currency Issues

The Company has taken steps to ensure that it is not adversely affected by Year 2000 (Y2K) software failures which may arise in software applications where two year digits are used to define the applicable year. The Company has completed its review of computer hardware and company-wide software and any necessary upgrades to make them Y2K compliant will be completed before the fourth quarter of calendar 1999. The Company is continuing its review of PC-based software and non-computer hardware that contains embedded processors to ensure that the equipment will function properly or that contingency plans are in place before the end of calendar 1999. The Company does not believe the cost of any necessary upgrades will be material. The Company has also communicated with many of its suppliers and service providers regarding compliance with Y2K requirements. As a result of such inquiries, no significant deficiencies have been identified. The Company will continue to monitor these third parties for Y2K compliance.

There can be no assurance, however, that there will not be a delay in, or increased costs associated with, upgrading the Company's computer systems, which could have a material adverse effect on the operations and financial position of the Company. In addition, there can be no assurances that the Company's customers and suppliers will not be adversely affected by their own Y2K issues, which may indirectly adversely affect the Company.

The Company has implemented new accounting and operational software at its European subsidiary, which accommodated the conversion on January 1, 1999 to a common currency, the "Euro," by members of the European Union. The software is also Y2K compliant.

Market Risk

At the end of fiscal 1999, the Company had an investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of $16,344,656 (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. However, the Company has the ability to hold its fixed income investments until maturity and therefore the Company would not expect to recognize an adverse impact in 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. Historically, the effect of movements in the exchange rates has been immaterial to the consolidated operating results of the Company.

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 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.

Ongoing research and development activities, including preclinical and clinical testing, and the production and marketing 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 usually takes a number of years and typically requires substantial expenditures. 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.

CONSOLIDATED STATEMENTS OF EARNINGS

TECHNE Corporation and Subsidiaries

	Year Ended June 30, 1999	1998	1997
Net sales	$90,900,697	$67,291,438	$60,923,750
Cost of sales	27,323,211	20,009,641	19,094,827
Gross margin	63,577,486	47,281,797	41,828,923
Operating expenses (income):			
Selling, general and administrative	16,862,217	15,367,759	14,585,334
Research and development (Note F)	12,004,798	10,637,804	11,701,822
Amortization of intangible assets (Note A)	9,578,646	71,457	235,508
Interest expense	—	—	29,357
Interest income	(922,185)	(1,206,184)	(710,760)
	37,523,476	24,870,836	25,841,261
Earnings before income taxes	26,054,010	22,410,961	15,987,662
Income taxes (Note H)	9,398,000	7,228,000	5,106,000
Net earnings	$16,656,010	$15,182,961	$10,881,662
Basic earnings per share	$ 0.83	$ 0.80	$ 0.58
Diluted earnings per share	$ 0.81	$ 0.77	$ 0.56
Weighted average common shares outstanding:			
Basic	20,117,367	18,952,968	18,910,608
Diluted	20,686,675	19,607,630	19,462,532

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

TECHNE Corporation and Subsidiaries

	June 30, 1999	1998
Assets		
Current assets:		
Cash and cash equivalents	$ 12,769,468	$26,113,607
Short-term available-for-sale investments (Note A)	16,344,656	15,321,935
Trade accounts receivable, less allowance for doubtful accounts of $300,000 and $269,000, respectively	13,520,409	10,001,893
Inventories (Note C)	5,715,065	3,810,600
Deferred income taxes (Note H)	2,101,000	1,583,000
Prepaid expenses	399,850	400,323
Total current assets	50,850,448	57,231,358
Equipment and leasehold improvements (Note D)	15,065,234	11,515,723
Intangible assets (Note A)	45,564,750	293,854
Deferred income taxes (Note H)	3,137,000	1,798,000
Other long-term assets (Note F)	9,183,087	1,946,293
	$123,800,519	$72,785,228
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	$ 2,375,029	$ 2,074,621
Salaries, wages and related accounts	2,313,450	2,005,428
Other accounts payable and accrued expenses	5,547,702	1,034,190
Income taxes payable	3,226,451	2,185,122
Total current liabilities	13,462,632	7,299,361
Deferred rent	1,963,500	1,655,100
Royalty payable (Note B)	11,536,000	—
Contingencies and commitments (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 50,000,000 shares; issued and outstanding 20,132,655 and 19,049,983 shares, respectively	201,327	190,500
Additional paid-in capital	34,525,581	13,714,445
Retained earnings	62,058,879	49,446,319
Accumulated other comprehensive income	52,600	479,503
Total stockholders' equity	96,838,387	63,830,767
	$123,800,519	$72,785,228

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

TECHNE Corporation and Subsidiaries

	Common Stock Shares	*Common Stock Amount*	*Additional Paid-in Capital*	*Retained Earnings*	*Accum. Other Comprehensive Income*	*Total*
Balances at June 30, 1996	19,039,056	$190,391	$11,353,362	$27,245,416	$ 84,902	$38,874,071
Comprehensive income:						
Net earnings	—	—	—	10,881,662	—	10,881,662
Other comprehensive income, net of tax:						
Foreign currency translation adjustments	—	—	—	—	345,170	345,170
Comprehensive income						11,226,832
Common stock issued:						
Exercise of options (Note G)	91,000	910	581,936	—	—	582,846
Repurchase and retirement of common stock	(254,600)	(2,546)	1,273	(3,223,932)	—	(3,225,205)
Tax benefit from exercise of stock options	—	—	151,000	—	—	151,000
Fair value of options granted (Note K)	—	—	471,500	—	—	471,500
Balances at June 30, 1997	18,875,456	188,755	12,559,071	34,903,146	430,072	48,081,044
Comprehensive income:						
Net earnings	—	—	—	15,182,961	—	15,182,961
Other comprehensive income, net of tax:						
Foreign currency translation adjustments	—	—	—	—	49,431	49,431
Comprehensive income						15,232,392
Common stock issued:						
Exercise of options (Note G)	153,376	1,533	1,278,492	—	—	1,280,025
Exercise of warrant (Note G)	61,775	618	(618)	—	—	—
Surrender and retirement of stock to exercise options (Note K)	(20,624)	(206)	—	(359,988)	—	(360,194)
Repurchase and retirement of common stock	(20,000)	(200)	—	(279,800)	—	(280,000)
Tax benefit from exercise of stock options	—	—	146,000	—	—	146,000
Fair value of options granted (Note K)	—	—	200,500	—	—	200,500
Cancelation of non-vested options (Note K)	—	—	(469,000)	—	—	(469,000)
Balances at June 30, 1998	19,049,983	190,500	13,714,445	49,446,319	479,503	63,830,767
Comprehensive income:						
Net earnings	—	—	—	16,656,010	—	16,656,010
Other comprehensive income, net of tax:						
Foreign currency translation adjustments	—	—	—	—	(426,903)	(426,903)
Comprehensive income						16,229,107
Common stock issued:						
Exercise of options (Note G)	213,870	2,139	1,238,178	—	—	1,240,317
Acquisition (Note B)	987,206	9,872	16,990,128	—	—	17,000,000
Real estate deposit (Note F)	100,000	1,000	2,159,830	—	—	2,160,830
Surrender and retirement of stock to exercise options (Note K)	(4,804)	(48)	—	(103,636)	—	(103,684)
Repurchase and retirement of common stock	(213,600)	(2,136)	—	(3,939,814)	—	(3,941,950)
Tax benefit from exercise of stock options	—	—	423,000	—	—	423,000
Balances at June 30, 1999	20,132,655	$201,327	$34,525,581	$62,058,879	$ 52,600	$96,838,387

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Note K)

TECHNE Corporation and Subsidiaries

	Year Ended June 30,		
	1999	*1998*	*1997*
Cash flows from operating activities:			
Net earnings	$ 16,656,010	$ 15,182,961	$ 10,881,662
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	11,890,384	2,302,686	2,321,963
Deferred income taxes	(1,902,000)	(356,000)	(662,000)
Tax benefit from exercise of options	423,000	146,000	151,000
Deferred rent	308,400	712,800	452,100
Other	2,081,435	1,107,762	342,070
Change in current assets and current liabilities, net of acquisition:			
(Increase) decrease in:			
Trade accounts receivable	(3,764,422)	(1,037,755)	(626,936)
Inventories	3,754,942	266,427	(379,051)
Prepaid expenses	(14,113)	122,005	233,617
Increase (decrease) in:			
Trade and other accounts payable	(2,434,625)	1,032,583	(527,435)
Salaries, wages and related accounts	314,777	214,554	60,284
Income taxes payable	1,108,071	1,181,446	229,274
Total adjustments	11,765,849	5,692,508	1,594,886
Net cash provided by operating activities	28,421,859	20,875,469	12,476,548
Cash flows from investing activities:			
Acquisition (Note B)	(24,989,542)	—	—
Real estate deposit (Note F)	(4,000,000)	—	—
Additions to equipment and leasehold improvements	(5,564,033)	(2,780,194)	(4,243,156)
Proceeds from sale of equipment	—	233,862	—
Purchase of short-term available-for-sale investments	(15,025,991)	(24,170,831)	(15,967,440)
Proceeds from sale of short-term available-for-sale investments	14,003,270	25,002,786	11,641,001
Increase in other long-term assets	(3,060,826)	(2,347,123)	(250,000)
Net cash used in investing activities	(38,637,122)	(4,061,500)	(8,819,595)
Cash flows from financing activities:			
Issuance of common stock	1,136,633	919,831	582,846
Repurchase of common stock	(3,941,950)	(280,000)	(3,225,205)
Net cash (used in) provided by financing activities	(2,805,317)	639,831	(2,642,359)
Effect of exchange rate changes on cash	(323,559)	61,440	161,689
Net (decrease) increase in cash and cash equivalents	(13,344,139)	17,515,240	1,176,283
Cash and cash equivalents at beginning of year	26,113,607	8,598,367	7,422,084
Cash and cash equivalents at end of year	$ 12,769,468	$ 26,113,607	$ 8,598,367

See Notes to Consolidated Financial Statements.

A. Description of business and summary of significant accounting policies:

Description of business: Techne Corporation and subsidiaries (the Company) is engaged domestically in the development and manufacture of biotechnology products and hematology calibrators and controls through its wholly owned subsidiary, Research and Diagnostic (R&D) Systems, Inc. Through its wholly owned English 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 also has a foreign sales corporation, Techne Export Inc.

Estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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.

Risks 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. Revenues are reduced to reflect estimated 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.

Earnings per share: The Company has adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share."

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

	Year Ended June 30,		
	1999	*1998*	*1997*
Weighted average common shares outstanding (Basic)	20,117,367	18,952,968	18,910,608
Dilutive stock options and warrants outstanding	569,308	654,662	551,924
Weighted average common shares outstanding (Diluted)	20,686,675	19,607,630	19,462,532

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

Short-term investments: Short-term investments consist of tax-exempt bonds with original maturities of generally three months to one year.

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

Proceeds from sales of available-for-sale securities were $14,003,270, $25,002,786 and $11,641,001 during fiscal 1999, 1998 and 1997, respectively. There were no material gross realized gains or losses on these sales. Realized gains and losses are determined on the specific identification method. Unrealized gains and losses at June 30, 1999, 1998 and 1997 were not material.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market.

Depreciation and amortization: Equipment is being depreciated using the straight-line method over an estimated useful life of five years. Leasehold improvements are being amortized over estimated useful lives of five to fifteen years.

Intangibles: Intangible assets, related to the acquisition of Genzyme Corporation's research products business in fiscal 1999 (Note B), Amgen Inc.'s research reagent and diagnostic kit business in fiscal 1992 and R&D Systems Europe Ltd. in fiscal 1994 are being amortized on a straight-line basis over the estimated useful lives and consist of the following:

		June 30,	
	Useful Life	*1999*	*1998*
Customer list	10 years	$18,010,000	$1,010,000
Technology licensing agreements	16 years	500,000	500,000
Goodwill	6 years	39,075,089	1,225,547
		57,585,089	2,735,547
Less accumulated amortization		12,020,339	2,441,693
		$45,564,750	$ 293,854

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 has an approximate 43% interest in the issued and outstanding voting shares of ChemoCentryx, Inc. (CCX), a technology and drug development company. The Company accounts for this investment under the equity method of accounting and recognizes 100% of the losses of CCX due to the limited amount of cash consideration provided by the holders of the common shares of CCX. The Company's investment in CCX was $1,910,931 and $1,327,570 at June 30, 1999 and 1998, respectively.

Stock options: As permitted by 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.

Recent accounting standards: During the first quarter of fiscal 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income," which requires disclosure of all changes in equity that result from transactions and economic events other than transactions with owners. Except for net earnings and foreign currency translation adjustments, the Company does not have any transactions and other economic events which qualify as comprehensive income as defined under SFAS No. 130. The Company's adoption of SFAS No. 130 had no effect on the Company's results of operations, cash flows or financial position.

Effective June 30, 1999, the Company adopted SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes new standards for reporting information about business segments and related disclosures about products and services, geographic areas and major customers, if applicable. Under SFAS No. 131, operating segments are determined consistent with the way management organizes and evaluates financial information internally for making decisions and assessing performance. The Company's adoption of SFAS No. 131 had no effect on the Company's results of operations, cash flows or financial position.

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. Acquisition:

On July 1, 1998, the Company, through its Research and Diagnostic Systems, Inc. subsidiary, acquired the research products business of Genzyme Corporation. The acquisition was accounted for under the purchase method, and accordingly, the consolidated financial statements include the results of operations of the acquired business since the date of acquisition. Assets acquired were as follows:

Inventories	$ 5,660,000
Equipment	320,000
Customer list	17,000,000
	$22,980,000

In consideration for the acquisition, the Company paid $24.76 million cash, issued to Genzyme Corporation 987,206 shares of common stock valued at $17 million and will pay royalties for five years on the Company's biotechnology sales. The excess of the consideration (including acquisition costs) over the fair market value of the assets acquired of approximately $37.8 million has been recorded as goodwill and will be amortized on a straight-line basis over six years. The customer list is being amortized on a declining basis over an estimated useful life of 10 years.

Pro forma financial information for the year ended June 30, 1998, presented as if the acquisition had occurred on July 1, 1997, are as follows:

Net sales	$81,527,000
Net earnings	5,538,000
Basic earnings per share	0.28
Diluted earnings per share	0.27

C. Inventories:

Inventories consist of:

	June 30,	
	1999	*1998*
Raw materials	$2,105,150	$2,125,365
Finished goods	3,499,688	1,539,696
Supplies	110,227	145,539
	$5,715,065	$3,810,600

D. Equipment and leasehold improvements:

Equipment and leasehold improvements consist of:

	June 30,	
	1999	*1998*
Cost:		
Leasehold improvements	$13,770,763	$10,243,142
Laboratory equipment	11,308,984	9,769,949
Office and computer equipment	3,294,704	2,923,110
	28,374,451	22,936,201
Less accumulated depreciation and amortization	13,309,217	11,420,478
	$15,065,234	$11,515,723

E. Debt:

The Company's short-term line of credit facility consists of an unsecured line of credit of $750,000 at June 30, 1999. The interest rate charged on the line of credit is at the prime rate of 7.75% at June 30, 1999. There were no borrowings on the line in the current year.

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, 1999, aggregate net minimum rental commitments under noncancelable leases having an initial or remaining term of more than one year are payable as follows:

Year Ending June 30:	
2000	$251,862
2001	27,016
2002	11,339
2003	5,615
2004	4,666
	$300,498

Total rent expense was approximately $2,587,000, $2,616,000 and $1,893,000 for the years ended June 30, 1999, 1998 and 1997, respectively.

During fiscal 1999, the Company entered into agreements to acquire real estate occupied by R&D Systems in Minneapolis, Minnesota. The purchase price was approximately $28 million. Other long-term assets at June 30, 1999 include $4 million cash and 100,000 shares of the Company's common stock, valued at $2.16 million, which were placed in escrow during fiscal 1999 in anticipation of the purchase. The closing of the purchase transaction was on July 1, 1999 and $20.4 million of the remaining purchase price was financed through a 15 year mortgage. The interest rate on the mortgage is fixed at 7% for the first seven years and is thereafter adjusted based on U.S. Treasury rates.

In fiscal 1999, the Company entered into two option agreements for real estate adjacent to its R&D Systems' facility. The purchase price for the property under the first option is $7,951,000 and six-year warrants to purchase 60,000 shares of the Company's common stock at $23.77 per share. This purchase option expires on November 15, 2001. Subsequent to June 30, 1999, the Company paid $2 million cash and issued the warrants as a nonrefundable deposit on the option purchase price.

The purchase price for the property under the second option is $7 million plus capital improvement costs. This option expires on January 1, 2005 and requires a nonrefundable deposit of $2 million on the earlier of January 15, 2002 or sixty days after exercise of the first option.

At June 30, 1999, the Company is obligated to purchase up to an additional $1 million of convertible preferred stock of ChemoCentryx Inc. in fiscal 2000 based upon CCX's achievement of certain milestones. After purchase of the additional preferred shares, the Company will own approximately 49% of the issued and outstanding voting shares (assuming no investment by other parties).

In fiscal 1994, the Company entered into a four year Joint Biological Research Agreement with British Bio-technology Group plc. Under the agreement, R&D Systems Europe Ltd. received the exclusive right to develop, manufacture, market and sell biomolecules developed by British Bio-technology Group, plc. or its subsidiaries and any resulting diagnostic kits in the research reagent and diagnostic markets. In June 1997, the agreement was extended for an additional five years for £100,000 per year. Research and development expenses include $164,000, $165,000 and $1,400,000 for the years ended June 30, 1999, 1998, and 1997, respectively, under this agreement. Subsequent to June 30, 1999, the Company terminated the agreement effective December 31, 1999.

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

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 600,000, 1,600,000, 300,000 and 1,000,000 under the TECHNE Corporation 1997 Incentive Stock Option Plan, the TECHNE Corporation 1987 Incentive Stock Option Plan, the TECHNE Corporation 1998 Nonqualified Stock Option Plan and the TECHNE Corporation 1988 Nonqualified Stock Option Plan, respectively.

Stock option activity during the three years ended June 30, 1999 consists of the following:

	Shares	*Weighted Average Exercise Price*
Outstanding at June 30, 1996	1,065,250	$ 6.44
Granted	453,552	11.63
Exercised	(91,000)	6.40
Canceled	(142,000)	6.66
Outstanding at June 30, 1997	1,285,802	8.25
Granted	181,984	16.26
Exercised	(153,376)	8.35
Canceled	(59,352)	12.91
Outstanding at June 30, 1998	1,255,058	9.42
Granted	116,645	17.11
Exercised	(213,870)	5.80
Outstanding at June 30, 1999	1,157,833	$10.87
Options exercisable at June 30:		
1997	724,502	$ 6.89
1998	956,058	9.04
1999	935,833	10.87

Currently outstanding and exercisable stock options at June 30, 1999 consist of the following:

	Options Outstanding		
Exercise Prices	*Outstanding*	*Weighted Avg. Contractual Life (Yrs.)*	*Weighted Avg. Exercise Price*
$ 5.00- 9.99	577,554	4.50	$ 7.14
10.00-14.99	312,134	6.08	11.76
15.00-19.99	268,145	7.58	17.86
	1,157,833	5.67	$10.87

	Options Exercisable	
Exercise Prices	*Exercisable*	*Weighted Avg. Exercise Price*
$ 5.00- 9.99	421,554	$ 6.42
10.00-14.99	290,134	11.73
15.00-19.99	224,145	18.11
	935,833	$10.87

Total compensation cost recognized for the years ended June 30, 1998 and 1997 for stock options granted to consultants was $34,000 and $169,000, respectively. No compensation cost was recognized for the year ended June 30, 1999. If compensation cost for employee options granted in 1999, 1998 and 1997 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 income and earnings per share would have been as follows:

	Year Ended June 30,		
	1999	*1998*	*1997*
Net income:			
As reported	$16,656,010	$15,182,961	$10,881,662
Pro forma	15,071,990	13,464,290	8,764,829
Basic earnings per share:			
As reported	$ 0.83	$ 0.80	$ 0.58
Pro forma	0.75	0.71	0.46
Diluted earnings per share:			
As reported	$ 0.81	$ 0.77	$ 0.56
Pro forma	0.73	0.69	0.45

The fair value of options granted under the Company's stock option plans during 1999, 1998 and 1997 was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used: no dividend yield, expected volatility of between 35% and 70%, risk-free interest rates between 4.6% and 6.8% and expected lives between 7 and 10 years.

Warrant: In fiscal 1994, the Company issued a warrant to purchase 100,000 shares of the Company's common stock at $6.88 as part of the acquisition of R&D Systems Europe Ltd. The warrant was exercised in 1998 in a cashless exercise which resulted in the issuance of 61,775 shares of common stock.

H. Income taxes:

The provisions for income taxes consist of the following:

	Year Ended June 30,		
	1999	*1998*	*1997*
Earnings before income taxes consist of:			
Domestic	$21,801,526	$19,101,460	$14,731,035
Foreign	4,252,484	3,309,501	1,256,627
	$26,054,010	$22,410,961	$15,987,662
Taxes on income consist of:			
Currently payable:			
Federal	$ 9,122,000	$ 6,280,000	$ 4,584,000
State	355,000	255,000	65,000
Foreign	1,355,000	903,000	1,020,000
Tax benefit from exercise of stock options	423,000	146,000	151,000
Net deferred	(1,857,000)	(356,000)	(714,000)
	$ 9,398,000	$ 7,228,000	$ 5,106,000

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,		
	1999	*1998*	*1997*
Computed expected federal income tax expense	$9,119,000	$7,844,000	$5,596,000
State income taxes, net of federal benefit	377,000	270,000	223,000
Foreign sales corporation	(444,000)	(317,000)	(318,000)
Research and development credits	(334,000)	(376,000)	(317,000)
Tax-exempt interest	(165,000)	(288,000)	(186,000)
Graduated income tax rate	—	(100,000)	(113,000)
Other	845,000	195,000	221,000
	$9,398,000	$7,228,000	$5,106,000

Deferred income taxes are provided to record the income tax effect of temporary differences between the tax basis and financial reporting basis of assets and liabilities. Temporary differences comprising deferred taxes on the consolidated balance sheets are as follows:

	June 30,	
	1999	*1998*
Inventory	$1,032,000	$ 654,000
Inventory costs capitalized	509,000	455,000
Foreign net operating loss carryforward	158,000	167,000
Unrealized profit on intercompany sales	250,000	158,000
Other	152,000	149,000
Current asset	2,101,000	1,583,000
Excess of book over tax intangible asset amortization	1,595,000	414,000
Excess of book over tax research expense	621,000	666,000
Deferred rent	687,000	579,000
Other	234,000	139,000
Noncurrent asset	3,137,000	1,798,000
	$5,238,000	$3,381,000

At June 30, 1999, approximately $470,000 of non-U.S. tax losses were available for carryforward indefinitely.

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. 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 revenues for the years ended June 30, 1999, 1998 and 1997.

The accounting policies of the segments are the same as those described in Note A. In evaluating segment performance, management focuses on sales and income before taxes. Sales between segments are made at prices which would approximate transfers to unaffiliated distributors.

Following is financial information relating to the operating segments:

	Year Ended June 30,		
	1999	*1998*	*1997*
External sales			
Hematology	$12,673,544	$11,784,093	$10,269,624
Biotechnology	54,960,816	37,713,747	31,739,184
R&D Systems Europe	23,266,337	17,793,598	18,914,942
Total external sales	$90,900,697	$67,291,438	$60,923,750
Intersegment sales			
Hematology	$ —	$ —	$ —
Biotechnology	11,578,230	7,788,587	6,740,792
R&D Systems Europe	187,054	557,662	539,410
Total intersegment sales	$11,765,284	$ 8,346,249	$ 7,280,202

	Year Ended June 30,		
	1999	*1998*	*1997*
Income before taxes			
Hematology	$ 3,706,460	$ 3,123,223	$ 2,125,569
Biotechnology	20,419,385	17,345,946	13,358,704
R&D Systems Europe	4,252,484	3,309,501	1,256,627
Corporate and other	(2,324,319)	(1,367,709)	(753,238)
Total income before taxes	$26,054,010	$22,410,961	$15,987,662
Interest income			
Hematology	$ 289,105	$ 278,601	$ 181,277
Biotechnology	313,373	753,253	497,969
R&D Systems Europe	213,589	125,230	34,233
Corporate and other	106,118	49,100	(2,719)
Total interest income	$ 922,185	$ 1,206,184	$ 710,760
Depreciation and amortization			
Hematology	$ 170,105	$ 206,330	$ 220,571
Biotechnology	11,109,795	1,392,442	1,390,793
R&D Systems Europe	239,277	342,140	406,441
Corporate and other	371,207	361,774	304,158
Total depreciation and amortization	$11,890,384	$ 2,302,686	$ 2,321,963
Capital purchases			
Hematology	$ 174,844	$ 101,258	$ 445,692
Biotechnology	3,940,127	2,299,798	2,408,721
R&D Systems Europe	287,413	193,070	173,359
Corporate and other	1,161,649	186,068	1,215,384
Total capital purchases	$ 5,564,033	$ 2,780,194	$ 4,243,156

Corporate and other reconciling items include the results of unallocated corporate expenses and assets, the elimination of profit on intersegment sales and the operations of the Company's equity investment in ChemoCentryx, Inc.

Following is financial information relating to geographic areas:

	Year Ended June 30,		
	1999	1998	1997
External sales			
United States	$54,261,592	$40,045,282	$34,682,116
Other areas	36,639,105	27,246,156	26,241,634
Total external sales	$90,900,697	$67,291,438	$60,923,750
Long-lived assets			
United States	$20,923,992	$11,078,177	$10,380,142
Other areas	462,898	437,546	872,599
Total long-lived assets	$21,386,890	$11,515,723	$11,252,741

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

J. 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 $651,000, $574,500 and $525,500 for the years ended June 30, 1999, 1998 and 1997, 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. Operations have been charged for contributions to the plans of $684,000, $595,000 and $525,500 for the years ended June 30, 1999, 1998 and 1997, respectively.

Performance incentive program: Under certain employment agreements with executive officers, the Company recorded bonuses of $80,000, $109,000 and $90,500 for the years ended June 30, 1999, 1998 and 1997, respectively. In addition, options for 4,145, 5,984 and 7,252 shares of common stock were granted to the executive officers during fiscal 1999, 1998 and 1997, respectively.

K. Supplemental disclosures of cash flow information and of noncash investing and financing activities:

The Company paid and received cash for the following items:

	Year Ended June 30,		
	1999	1998	1997
Income taxes paid	$9,763,600	$6,602,926	$5,388,789
Interest paid	—	—	29,357
Interest received	1,019,630	1,431,305	781,886

Noncash transactions during the years ended June 30, 1999, 1998 and 1997 consisted of:

In 1998 and 1997, stock options with fair values of $200,500 and $471,500 were granted to consultants for services to be provided to the Company. In 1998, the Company canceled all non-vested stock options granted to consultants.

In 1999, stock options for 21,018 shares of common stock were exercised by surrender of 4,804 shares of common stock at fair value of $103,684. In 1998, stock options for 55,835 shares of common stock were exercised by surrender of 20,624 shares of common stock at fair market value of $360,194.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
TECHNE Corporation
Minneapolis, Minnesota

We have audited the accompanying consolidated balance sheets of TECHNE Corporation and subsidiaries as of June 30, 1999 and 1998, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended June 30, 1999. 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 generally accepted auditing standards. 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 financial position of TECHNE Corporation and subsidiaries at June 30, 1999 and 1998 and the results of their operations and cash flows for each of the three years in the period ended June 30, 1999, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Minneapolis, Minnesota
August 20, 1999

MARKET FOR THE COMPANY'S COMMON STOCK

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.

	1999 Price		*1998 Price*	
	High	*Low*	*High*	*Low*
1st Quarter	$18.69	$12.25	$17.75	$13.44
2nd Quarter	21.13	13.00	19.75	15.63
3rd Quarter	28.88	20.50	20.00	16.94
4th Quarter	29.50	23.55	19.88	16.00

As of September 14, 1999, there were approximately 350 shareholders of record. As of September 14, 1999, there were over 6,000 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.

QUARTERLY FINANCIAL INFORMATION (Unaudited)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	1999				*1998*			
	First Qtr.	*Second Qtr.*	*Third Qtr.*	*Fourth Qtr.*	*First Qtr.*	*Second Qtr.*	*Third Qtr.*	*Fourth Qtr.*
Net sales	$21,335	$21,464	$23,789	$24,312	$15,537	$15,473	$17,698	$18,583
Gross margin	14,720	15,236	16,620	17,001	10,991	10,587	12,208	13,496
Income before taxes	5,355	5,662	7,180	7,857	4,723	4,498	6,038	7,152
Income taxes	1,830	2,075	2,643	2,850	1,461	1,370	2,015	2,382
Net earnings	3,525	3,587	4,537	5,007	3,262	3,128	4,023	4,770
Basic earnings per share	0.18	0.18	0.23	0.25	0.17	0.17	0.21	0.25
Diluted earnings per share	0.17	0.17	0.22	0.24	0.17	0.16	0.20	0.24

INVESTOR INFORMATION

Annual Meeting

The annual meeting of shareholders of TECHNE Corporation will be held at the corporate office, 614 McKinley Place N.E., Minneapolis, Minnesota, on Thursday, October 21, 1999, at 3:30 p.m. (Minneapolis time). A notice of this meeting, proxy statement and form of proxy were sent to all shareholders with this Annual Report.

Form 10-K

A copy of the Company's 10-K Annual Report to the Securities and Exchange Commission is available upon written request to the Company.

TECHNE Corporate Office and R&D Systems, Inc.

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Fax: (1235) 533420

R&D Systems GmbH

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Germany
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Counsel

Fredrikson & Byron, P.A.
1100 International Centre
900 Second Avenue South
Minneapolis, Minnesota 55402

Auditors

Deloitte & Touche LLP
400 One Financial Plaza
120 South Sixth Street
Minneapolis, MN 55402

Registrar and Transfer Agent

ChaseMellon Shareholder Services
85 Challenger Road
Overpeck Centre
Ridgefield Park, NJ 07660

CORPORATE INFORMATION

Board of Directors

Thomas E. Oland
Chairman of the Board, President,
Chief Executive Officer, and Treasurer

Roger C. Lucas, Ph.D.
Vice Chairman

Howard O'Connell
Director, Member of Compensation and
Audit Committees

G. Arthur Herbert
Director, Member of Compensation and
Audit Committees,
Principal, CEO Advisors, a management
consulting firm

Randolph C. Steer, M.D., Ph.D.
Director, Member of Compensation and
Audit Committees,
Independent Pharmaceutical Consultant

Lowell E. Sears
Director, Member of Audit Committee,
President, Sears Capital Management,
a portfolio management and life sciences
venture capital firm

Christopher S. Henney, Ph.D., D.Sc.
Director, Member of Compensation Committee,
CEO, Dendreon Corp., a developer of cell therapies for the treatment of cancer and viral infections

Officers

Thomas E. Oland
Chairman of the Board, President,
Chief Executive Officer, and Treasurer

James A. Weatherbee, Ph.D.
Vice President and Chief Scientific Officer

Monica Tsang, Ph.D.
Vice President, Research

Thomas C. Detwiler, Ph.D.
Vice President, Scientific and
Regulatory Affairs

Marcel Veronneau
Vice President, Hematology Operations

On The Front Cover

“TECH” is TECHNE Corporation’s Nasdaq stock symbol, which is listed on the Nasdaq Stock Market.

TECHNE
CORPORATION

R&D SYSTEMS

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