

QIAGEN NV  
Form 6-K  
October 31, 2014  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

FORM 6-K

---

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2014  
Commission File Number 0-28564

---

QIAGEN N.V.

---

Spoorstraat 50  
5911 KJ Venlo  
The Netherlands

---

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:  
Form 20-F  Form 40-F

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T  
Rule 101(b)(1):

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T  
Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby  
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.  
Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
82- .

---

Table of Contents

QIAGEN N.V.  
Form 6-K  
TABLE OF CONTENTS

Item	Page
<u>Other Information</u>	<u>3</u>
<u>Signatures</u>	<u>4</u>
<u>Exhibit Index</u>	<u>5</u>

Table of Contents

OTHER INFORMATION

For the three- and nine-month periods ended September 30, 2014, QIAGEN N.V. prepared its quarterly report under United States generally accepted accounting principles (U.S. GAAP). This quarterly report is furnished herewith as Exhibit 99.1 and incorporated by reference herein.

Table of Contents

SIGNATURES

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.

QIAGEN N.V.

BY: /S/ ROLAND SACKERS

Roland Sackers  
Chief Financial Officer

Date: October 30, 2014

EXHIBIT INDEX

Exhibit Exhibit  
No.

99.1 U.S. GAAP Quarterly Report for the Period Ended September 30, 2014

5

---

Table of Contents

Exhibit 99.1

QIAGEN N.V. AND SUBSIDIARIES

U.S. GAAP QUARTERLY REPORT FOR THE PERIOD ENDED SEPTEMBER 30, 2014

TABLE OF CONTENTS

Financial Information

Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheets as of September 30, 2014 (unaudited) and December 31, 2013 2

Condensed Consolidated Statements of Income (unaudited) for the three and nine months ended September 30, 2014 and 2013 4

Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three and nine months ended September 30, 2014 and 2013 6

Condensed Consolidated Statements of Changes in Equity (unaudited) for the nine months ended September 30, 2014 and 2013 7

Condensed Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2014 and 2013 8

Notes to Condensed Consolidated Financial Statements (unaudited) 9

Operating and Financial Review and Prospects 26

Quantitative and Qualitative Disclosures About Market Risk 33

Recent Authoritative Pronouncements 33

Application of Critical Accounting Policies, Judgments and Estimates 33

Off-Balance Sheet Arrangements 34

Contractual Obligations 34

Legal Proceedings 34

Risk Factors 34

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (in thousands)

	Note	September 30, 2014 (unaudited)	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents		\$ 484,210	\$ 330,303
Short-term investments		207,814	49,923
Accounts receivable, net of allowance for doubtful accounts of \$11,672 and \$10,683 in 2014 and 2013, respectively		257,103	259,710
Income taxes receivable		50,806	46,874
Inventories, net	(11)	131,525	128,097
Prepaid expenses and other current assets		103,971	66,290
Deferred income taxes		31,834	39,692
Total current assets		1,267,263	920,889
Long-term assets:			
Property, plant and equipment, net		441,558	445,044
Goodwill	(6)	1,833,473	1,855,691
Intangible assets, net of accumulated amortization of \$710,151 and \$630,136 in 2014 and 2013, respectively	(6)	704,710	790,405
Deferred income taxes		6,025	5,081
Other assets		208,211	71,282
Total long-term assets		3,193,977	3,167,503
Total assets		\$ 4,461,240	\$ 4,088,392

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (in thousands, except par value)

	Note	September 30, 2014 (unaudited)	December 31, 2013
Liabilities and equity			
Current liabilities:			
Current portion of long-term debt (of which \$130,451 in 2014 due to related parties)	(9)	\$ 130,828	\$ 207
Accounts payable		42,055	50,869
Accrued and other liabilities (of which \$1,256 and \$6,943 due to related parties in 2014 and 2013, respectively)	(16)	208,384	245,236
Income taxes payable		52,027	38,131
Deferred income taxes		2,325	2,595
Total current liabilities		435,619	337,038
Long-term liabilities:			
Long-term debt, net of current portion (of which \$445,000 in 2013 due to related parties)	(9) (16)	1,033,548	845,276
Deferred income taxes		119,043	143,760
Other liabilities		159,365	38,447
Total long-term liabilities		1,311,956	1,027,483
Commitments and contingencies	(14)		
Equity:			
Preference shares, 0.01 EUR par value, authorized—450,000 shares, no shares issued and outstanding		—	—
Financing preference shares, 0.01 EUR par value, authorized—40,000 shares, no shares issued and outstanding		—	—
Common Shares, 0.01 EUR par value, authorized—410,000 shares, issued—239,707 shares in 2014 and in 2013		2,812	2,812
Additional paid-in capital		1,811,956	1,777,894
Retained earnings		1,101,396	1,054,431
Accumulated other comprehensive loss	(12)	(75,079 )	(4,192 )
Less treasury shares at cost— 6,352 and 5,817 shares in 2014 and in 2013, respectively		(135,779 )	(116,613 )
Equity attributable to the owners of QIAGEN N.V.		2,705,306	2,714,332
Noncontrolling interest		8,359	9,539
Total equity		2,713,665	2,723,871
Total liabilities and equity		\$ 4,461,240	\$ 4,088,392

The accompanying notes are an integral part of these condensed consolidated financial statements.



Table of ContentsQIAGEN N.V. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	Three months ended September 30,	
	2014	2013
	(unaudited)	
Net sales	\$336,457	\$322,111
Cost of sales	113,283	111,411
Gross profit	223,174	210,700
Operating expenses:		
Research and development	41,461	34,340
Sales and marketing	92,087	92,158
General and administrative, restructuring, integration and other	30,054	40,795
Acquisition-related intangible amortization	9,318	8,995
Total operating expenses	172,920	176,288
Income from operations	50,254	34,412
Other income (expense):		
Interest income	936	550
Interest expense	(10,838)	(7,493)
Other income (expense), net	(2,878)	2,867
Total other expense, net	(12,780)	(4,076)
Income before income taxes	37,474	30,336
Income taxes	2,660	(10,440)
Net income	34,814	40,776
Net income attributable to noncontrolling interest	125	75
Net income attributable to the owners of QIAGEN N.V.	\$34,689	\$40,701
Basic earnings per common share attributable to the owners of QIAGEN N.V.	\$0.15	\$0.17
Diluted earnings per common share attributable to the owners of QIAGEN N.V.	\$0.14	\$0.17
Weighted-average shares outstanding		
Basic	232,872	234,463
Diluted	241,427	242,405

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (in thousands, except per share data)

	Nine months ended September 30,	
	2014	2013
	(unaudited)	
Net sales	\$984,367	\$940,899
Cost of sales	335,206	361,272
Gross profit	649,161	579,627
Operating expenses:		
Research and development	119,706	102,278
Sales and marketing	276,277	273,031
General and administrative, restructuring, integration and other	84,949	148,887
Acquisition-related intangible amortization	27,980	26,109
Total operating expenses	508,912	550,305
Income from operations	140,249	29,322
Other income (expense):		
Interest income	2,777	1,822
Interest expense	(29,365)	(22,966)
Other expense, net	(9,163)	(1,716)
Total other expense, net	(35,751)	(22,860)
Income before income taxes	104,498	6,462
Income taxes	13,345	(2,649)
Net income	91,153	9,111
Net income attributable to noncontrolling interest	362	188
Net income attributable to the owners of QIAGEN N.V.	\$90,791	\$8,923
Basic earnings per common share attributable to the owners of QIAGEN N.V.	\$0.39	\$0.04
Diluted earnings per common share attributable to the owners of QIAGEN N.V.	\$0.38	\$0.04
Weighted-average shares outstanding		
Basic	232,763	233,954
Diluted	241,673	241,438

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

## QIAGEN N.V. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	Three Months Ended	
	September 30,	
	2014	2013
	(unaudited)	
Net income	\$34,814	\$40,776
Foreign currency translation adjustments, before tax	(88,681 )	31,803 )
Other comprehensive (loss) income, before tax	(88,681 )	31,803 )
Income tax relating to components of other comprehensive (loss)	(218 )	(263 )
Total other comprehensive (loss) income, after tax	(88,899 )	31,540 )
Comprehensive (loss) income	(54,085 )	72,316 )
Less: Comprehensive (loss) income attributable to noncontrolling interest	(627 )	373 )
Comprehensive (loss) income attributable to the owners of QIAGEN N.V.	\$(53,458 )	\$71,943 )
	Nine Months Ended	
	September 30,	
	2014	2013
	(unaudited)	
Net income	\$91,153	\$9,111
Foreign currency translation adjustments, before tax	(71,895 )	(40,189 )
Other comprehensive (loss), before tax	(71,895 )	(40,189 )
Income tax relating to components of other comprehensive (loss)	(209 )	(1,979 )
Total other comprehensive (loss), after tax	(72,104 )	(42,168 )
Comprehensive income (loss)	19,049	(33,057 )
Less: Comprehensive (loss) income attributable to noncontrolling interest	(855 )	704 )
Comprehensive income (loss) attributable to the owners of QIAGEN N.V.	\$19,904	\$(33,761 )

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 (in thousands)

(unaudited)	Note	Common Shares	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Shares Shares	Treasury Shares Amount	Equity Attributable to the Owners of QIAGEN N.V.	Non-controlling Interest	Total Equity	
BALANCE AT DECEMBER 31, 2013		239,707	\$2,812	\$1,777,894	\$1,054,431	\$(4,192)	(5,817)	\$(116,613)	\$2,714,332	\$9,539	\$2,723,871
Acquisition of Ipsogen S.A. shares from non-controlling interests	(3)	—	—	—	—	—	—	—	—	(325)	(325)
Net income		—	—	90,791	—	—	—	90,791	362	91,153	
Proceeds from subscription receivables		—	536	—	—	—	—	536	—	536	
Redemption of subscription receivables	(9)	—	(67,943)	—	—	—	—	(67,943)	—	(67,943)	
Issuance of Warrants	(12)	—	68,900	—	—	—	—	68,900	—	68,900	
Translation adjustment, net	(12)	—	—	—	(70,887)	—	—	(70,887)	(1,217)	(72,104)	
Purchase of treasury shares	(12)	—	—	—	—	(4,037)	(91,912)	(91,912)	—	(95,949)	
Issuance of common shares in connection with warrant exercise	(9)	—	—	(12,115)	—	1,373	30,917	18,802	—	18,802	
Issuance of common shares in connection with stock plan		—	—	(31,711)	—	2,129	41,829	10,118	—	10,118	
Share-based compensation	(15)	—	29,603	—	—	—	—	29,603	—	29,603	
Excess tax benefit of employee stock plans		—	2,966	—	—	—	—	2,966	—	2,966	
BALANCE AT SEPTEMBER 30, 2014		239,707	\$2,812	\$1,811,956	\$1,101,396	\$(75,079)	(6,352)	\$(135,779)	\$2,705,306	\$8,359	\$2,713,665
		236,487	\$2,769	\$1,718,163	\$985,434	\$43,991	(1,943)	\$(35,653)	\$2,714,704	\$9,659	\$2,724,363

BALANCE AT  
DECEMBER 31,  
2012

Acquisition of Ipsogen S.A. shares from non-controlling interests	—	—	—	—	—	—	—	—	(487)	(4)
Net income	—	—	—	8,923	—	—	—	8,923	188	9,
Proceeds from subscription receivables	—	—	651	—	—	—	—	651	—	65
Translation adjustment, net	—	—	—	—	(42,684)	—	—	(42,684)	516	(4)
Purchase of treasury shares	—	—	—	—	—	(3,304)	(67,064)	(67,064)	—	(6)
Issuance of common shares in connection with stock plan	3,200	43	21,613	—	—	—	—	21,656	—	21
Share-based compensation	—	—	26,745	—	—	—	—	26,745	—	26
Excess tax benefit of employee stock plans	—	—	3,437	—	—	—	—	3,437	—	3,
BALANCE AT SEPTEMBER 30, 2013	239,687	\$2,812	\$1,770,609	\$994,357	\$1,307	(5,247)	\$(102,717)	\$2,666,368	\$9,876	\$2

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (in thousands)

	Note	Nine months ended September 30,	
		2014	2013
		(unaudited)	
Cash flows from operating activities:			
Net income		\$91,153	\$9,111
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of businesses acquired:			
Depreciation and amortization		149,683	145,096
Non-cash impairments	(4) (5)	6,000	42,768
Share-based compensation expense	(15)	29,603	26,745
Excess tax benefits from share-based compensation		(2,966)	(3,437)
Deferred income taxes		(16,991)	(17,802)
Loss on early redemption of debt	(9)	4,560	—
Other		55,248	(17,048)
Net changes in operating assets and liabilities:			
Accounts receivable		(7,081)	15,926
Inventories		(26,904)	(28,730)
Accounts payable		(7,922)	(16,420)
Accrued and other liabilities		(45,895)	23,178
Other		(19,540)	(2,617)
Net cash provided by operating activities		208,948	176,770
Cash flows from investing activities:			
Purchases of property, plant and equipment		(60,270)	(55,836)
Proceeds from sale of equipment		25	45
Purchases of intangible assets		(7,192)	(22,060)
Purchases of investments		(9,272)	(4,196)
Cash paid for acquisitions, net of cash acquired		(41,715)	(169,886)
Purchases of short-term investments		(296,154)	—
Proceeds from sales of short-term investments		129,790	15,859
Other investing activities		4,008	(1,006)
Net cash used in investing activities		(280,780)	(237,080)
Cash flows from financing activities:			
Proceeds from issuance of cash convertible notes, net of issuance costs	(9)	717,554	—
Purchase of call option related to cash convertible notes	(9)	(105,170)	—
Proceeds from issuance of warrants, net of issuance costs	(12)	68,900	—
Repayment of long-term debt	(9)	(387,050)	(1,066)
Principal payments on capital leases		(3,426)	(3,100)
Proceeds from subscription receivables		536	651
Excess tax benefits from share-based compensation		2,966	3,437
Proceeds from issuance of common shares		10,118	21,655
Purchase of treasury shares	(12)	(91,912)	(67,064)
Other financing activities		18,020	(4,292)
Net cash provided by (used in) financing activities		230,536	(49,779)
Effect of exchange rate changes on cash and cash equivalents		(4,797)	(3,960)
Net increase (decrease) in cash and cash equivalents		153,907	(114,049)
Cash and cash equivalents, beginning of period		330,303	394,037

Cash and cash equivalents, end of period	\$484,210	\$279,988
------------------------------------------	-----------	-----------

The accompanying notes are an integral part of these condensed consolidated financial statements.

8

---

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Corporate Information

QIAGEN N.V. is a public limited liability company ('naamloze vennootschap') under Dutch law with a registered office at Spoorstraat 50, Venlo, The Netherlands. QIAGEN N.V., a Netherlands holding company, and subsidiaries (QIAGEN, we, our or the Company) is a leading provider of innovative Sample and Assay Technologies. These technologies—consumable products such as sample and assay kits and automated instrumentation systems—empower customers to transform raw biological samples into valuable molecular information. We serve four major customer classes: Molecular Diagnostics laboratories; Applied Testing customers in fields such as forensics, veterinary diagnostics and food safety; Pharmaceutical research and development groups; and Academic researchers. We market our products in more than 100 countries.

2. Basis of Presentation and Accounting Policies

Basis of Presentation

The condensed consolidated financial statements include the accounts of QIAGEN N.V., its wholly-owned subsidiaries which are not considered variable interest entities, and any partially owned subsidiaries that the Company has the ability to control. All significant intercompany accounts and transactions have been eliminated. All amounts are presented in U.S. dollars, unless otherwise indicated. Investments in companies where we exercise significant influence over the operations but do not have control, and where we are not the primary beneficiary, are accounted for using the equity method. All other investments are accounted for under the cost method. When there is a portion of equity in an acquired subsidiary not attributable, directly or indirectly, to the Company, we record the fair value of the noncontrolling interests at the acquisition date and classify the amounts attributable to noncontrolling interests separately in equity in the condensed consolidated financial statements. Any subsequent changes in the Company's ownership interest while the Company retains its controlling financial interest in its subsidiary are accounted for as equity transactions.

On April 3, 2014, we acquired BIOBASE, located in Wolfenbüttel, Germany. On April 29, 2013, we acquired Ingenuity Systems, Inc. (Ingenuity), located in Redwood City, California and on August 22, 2013 we acquired CLC bio (CLC), located in Aarhus, Denmark. Accordingly, at the acquisition dates, all of the assets acquired and liabilities assumed were recorded at their respective fair values and our consolidated results of operations include the operating results of the acquired companies as of the acquisition dates.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and generally in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the Securities and Exchange Commission (SEC) rules and regulations. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary for a fair presentation have been included.

We operate as one operating segment in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 280, Segment Reporting. We have a common basis of organization, our products and services are offered globally and have consistent product margins. Our chief operating decision maker (CODM) makes decisions based on the Company as a whole. Accordingly, we operate and make decisions as one reporting unit.

The results of operations for an interim period are not necessarily indicative of results that may be expected for any other interim period or for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 20-F for the year ended December 31, 2013.

Summary of Significant Accounting Policies



The interim condensed consolidated financial statements were prepared based on the same accounting policies as those applied and described in the consolidated financial statements as of December 31, 2013 including the adoption of new standards and interpretations as of January 1, 2014.

Table of Contents

## Adoption of New Accounting Standards

In February 2013, the FASB issued Accounting Standards Update No. 2013-04, "Liabilities (Topic 405) Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date" (ASU 2013-04). The amendments in this update provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this update is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this update also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The requirements of ASU 2013-04 became effective for us on January 1, 2014 and did not have any material impact on our consolidated financial statements.

In March 2013, the FASB issued Accounting Standards Update No. 2013-05, "Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity" (ASU 2013-05). The amendments in ASU 2013-05 provide guidance on releasing Cumulative Translation Adjustments (CTA) when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. In addition, these amendments provide guidance on the release of CTA in partial sales of equity method investments and in step acquisitions. For public entities, the amendments are effective on a prospective basis for fiscal years and interim reporting periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to derecognition events occurring after the effective date. Prior periods should not be adjusted and early adoption is permitted. ASU 2013-05 became effective for us in the period beginning January 1, 2014 and its adoption did not have an effect on our financial position, results of operations or cash flows.

In July 2013, the FASB issued Accounting Standards Update No. 2013-11 (ASU 2013-11), "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" (a consensus of the FASB Emerging Issues Task Force), which requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss (NOL) carryforward, or similar tax loss or tax credit carryforward, rather than as a liability when (1) the uncertain tax position would reduce the NOL or other carryforward under the tax law of the applicable jurisdiction and (2) the entity intends to use the deferred tax asset for that purpose. The ASU does not require new disclosures. It is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. ASU 2013-11 became effective for us in the period beginning January 1, 2014 and its adoption did not have a significant effect on our financial position, results of operations or cash flows.

## New Accounting Standards Not Yet Adopted

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), "Revenue from Contracts with Customers: Topic 606" which affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. This ASU also supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition-Construction-Type and Production-Type Contracts. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, Property, Plant, and Equipment, and intangible assets within the scope of Topic 350, Intangibles-Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in this ASU. An entity should apply the amendments in this ASU either retrospectively to each prior reporting period presented and the entity may elect certain practical expedients; or, retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. The amendments in this ASU will be effective for our annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early

application is not permitted. We are currently evaluating the impact on our financial position, results of operations or cash flows.

### 3. Acquisitions

Acquisitions have been accounted for as business combinations, and the acquired companies' results have been included in the accompanying condensed consolidated statements of income from their respective dates of acquisition. Our acquisitions have historically been made at prices above the fair value of the acquired net assets, resulting in goodwill, due to expectations of synergies of combining the businesses. These synergies include use of our existing infrastructure, such as sales force, shared service centers, distribution channels and customer relations, to expand sales of the acquired businesses' products; use of the infrastructure of the acquired businesses to cost-effectively expand sales of our products; and elimination of duplicative facilities, functions and staffing.

Table of Contents

## 2014 Acquisitions

During the first nine months of 2014, we completed three acquisitions which individually were not significant to the overall consolidated financial statements. The cash paid for these acquisitions, net of cash acquired, totaled \$41.7 million. Each of these acquisitions individually did not have a material impact to net sales, net income or earnings per share and therefore no pro forma information has been provided herein.

## 2013 Acquisition

On April 29, 2013, we acquired 100% of the outstanding common shares of Ingenuity Systems, Inc. (Ingenuity), a leading provider of software solutions that efficiently and accurately analyze and interpret the biological meaning of genomic data. The cash consideration totaled \$106.9 million of which \$10.0 million was retained in an escrow account as of September 30, 2014 to cover any claims for breach of any representations, warranties or indemnities. The acquisition of Ingenuity did not have a material impact to net sales, net income or earnings per share and therefore no proforma information has been provided herein.

The final purchase price allocation for Ingenuity did not differ from the preliminary estimates other than the decrease of approximately \$0.1 million of purchase consideration, \$3.0 million increase of long-term deferred tax asset, \$4.1 million increase of long-term deferred tax liability and an additional \$0.3 million increase of other opening balance sheet adjustments. The corresponding impact for these adjustments was an increase to goodwill of \$0.7 million. These changes to arrive at the final purchase price allocation were not material to the consolidated financial statements. The final purchase price allocation for Ingenuity is as follows:

(in thousands)	Ingenuity Systems acquisition
Purchase Price:	
Cash consideration	\$ 106,932
	\$ 106,932
Allocation:	
Cash and cash equivalents	\$4,449
Accounts receivable	2,018
Prepaid and other current assets	1,834
Current deferred tax asset	3,126
Fixed and other long-term assets	2,648
Long-term deferred tax asset	13,203
Accounts payable	(2,662 )
Accruals and other current liabilities	(14,558 )
Liabilities assumed	(557 )
Developed technology, licenses and know-how	37,903
Tradenames	3,359
In-process research and development	2,069
Customer relationships	1,023
Goodwill	69,479
Deferred tax liability on fair value of identifiable intangible assets acquired	(16,402 )
	\$ 106,932

The weighted-average amortization period for the intangible assets is 14.1 years. The goodwill acquired is not deductible for tax purposes.

## Other Acquisitions

During 2011, we acquired a majority shareholding in QIAGEN Marseille S.A., formerly Ipsogen S.A. (Marseille), a publicly listed company founded and based in Marseille, France. During 2014, we acquired additional Marseille shares for a total of \$0.3 million and held 90.27% of the Marseille shares as of September 30, 2014.



Table of Contents

## 4. Restructuring

Late in 2011, we began a project to enhance productivity by streamlining the organization and reallocating resources to strategic initiatives to help drive growth and innovation, strengthen our industry leadership position and improve longer-term profitability. This project aims to eliminate organizational layers and overlapping structures, actions that we expect will enhance our processes, speed and productivity. The last group of initiatives included actions to focus R&D activities on higher-growth areas in all customer classes, concentrate operations at fewer sites, and realign sales and regional marketing teams in the U.S. and Europe to better address customer needs in a more streamlined manner across the continuum from basic research to translational medicine and clinical diagnostics. Restructuring charges were recorded in 2013 as part of this transformational project. In the first nine months of 2013, we recorded pretax restructuring charges of \$61.5 million in general, administrative, restructuring and other. The pretax charges consist of \$19.7 million for personnel related costs, \$11.8 million of fixed and intangible asset impairments, \$2.1 million for contract termination costs, and \$27.9 million of other costs including consulting costs. Additionally, we recorded \$38.7 million in cost of sales which includes \$25.2 million of fixed and intangible asset impairments, \$6.7 million for contract termination costs, \$4.0 million for the write off of inventory, and \$2.8 million for personnel costs. No additional costs were incurred in 2014.

The following table summarizes the components of the restructuring costs. At September 30, 2014 and December 31, 2013, restructuring accruals of \$1.2 million and \$10.6 million, respectively, were included in accrued and other liabilities in the accompanying condensed consolidated balance sheets.

(in thousands)	Personnel Related	Facility Related	Contract and Other Costs	Total
Balance at December 31, 2013	\$9,782	\$313	\$511	\$10,606
Payments	(6,569)	)(313	)(511	)(7,393 )
Release of excess accrual	(1,831)	)—	—	(1,831 )
Foreign currency translation adjustment	(143)	)—	—	(143 )
Balance at September 30, 2014	\$1,239	\$—	\$—	\$1,239

## 5. Investments

We have made strategic investments in certain companies that are accounted for using the equity or cost method of accounting. The method of accounting for an investment depends on the level of influence. We monitor changes in circumstances that may require a reassessment of the level of influence. We periodically review the carrying value of these investments for impairment, considering factors such as the most recent stock transactions and book values from the recent financial statements. The fair value of cost and equity-method investments is estimated when there are identified events or changes in circumstances that may have an impact on the fair value of the investment.

As of September 30, 2014 and December 31, 2013, we had a total of cost-method investments in non-publicly traded companies with carrying amounts of \$20.8 million and \$15.4 million, respectively, which are included in other assets. The fair-value of these cost-method investments are not estimated unless there are identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. For the three-month period ended September 30, 2014, we recorded an impairment of \$4.8 million to a cost method investment in other expense, net. In the nine-month period ended September 30, 2014, we recorded total impairments to a cost method investment of \$6.0 million, of which \$4.8 million was recorded in other expense, net and \$1.2 million was recorded in research and development expense.

FASB ASC Topic 810 requires a company to consolidate a variable interest entity if it is designated as the primary beneficiary of that entity even if the company does not control a majority of voting interests. A variable interest entity is generally defined as an entity with insufficient equity to finance its activities or where the owners of the entity lack the risk and rewards of ownership. We have a 50% interest in a joint venture company, PreAnalytiX GmbH (PreAnalytiX), for which we are not the primary beneficiary. Thus, the investment is accounted for under the equity

method. PreAnalytiX was formed to develop, manufacture and market integrated systems for the collection, stabilization and purification of nucleic acids for molecular diagnostic testing. At present, our maximum exposure to loss as a result of our involvement with PreAnalytiX is limited to our share of losses from the equity method investment.

We also have 100% interests in two entities established for the purpose of issuing convertible debt which are not consolidated. These entities are discussed in Note 9.

#### 6. Intangible Assets

The following table sets forth the intangible assets by major asset class as of September 30, 2014 and December 31, 2013:

Table of Contents

(in thousands)	September 30, 2014		December 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<b>Amortized Intangible Assets:</b>				
Patent and license rights	\$319,929	\$ (183,647 )	\$326,614	\$ (168,637 )
Developed technology	695,997	(353,413 )	692,727	(310,842 )
Customer base and trademarks	390,166	(173,091 )	392,431	(150,657 )
	\$1,406,092	\$ (710,151 )	\$1,411,772	\$ (630,136 )
<b>Unamortized Intangible Assets:</b>				
In-process research and development	\$8,769		\$8,769	
Goodwill	1,833,473		1,855,691	
	\$1,842,242		\$1,864,460	

The estimated fair values of acquired in-process research and development projects which have not reached technological feasibility at the date of acquisition are capitalized and subsequently tested for impairment through completion of the development process, at which point the capitalized amounts are amortized over their estimated useful life. If a project is abandoned rather than completed, all capitalized amounts are written-off immediately. The amortization of the remaining in-process research and development is expected to begin during 2015 as the projects are completed.

The changes in intangibles assets in 2014 are summarized as follows:

(in thousands)	Intangibles	Goodwill
Balance at December 31, 2013	\$790,405	\$1,855,691
Additions	6,750	—
Purchase adjustments	—	386
Acquisition	31,674	17,041
Amortization	(100,335 )	—
Foreign currency translation adjustments	(23,784 )	(39,645 )
Balance at September 30, 2014	\$704,710	\$1,833,473

Cash paid for purchases of intangible assets during the nine-month period ended September 30, 2014 totaled \$7.2 million of which \$0.4 million related to prepayments is included in other long-term assets in the accompanying balance sheet.

The changes in the carrying amount of goodwill for the nine months ended September 30, 2014 resulted primarily from changes in foreign currency translation together with acquired goodwill from 2014 acquisitions and adjustments made in connection with the finalization of the 2013 purchase price allocations primarily for the acquisition of Ingenuity discussed in Note 3.

For the three- and nine-month periods ended September 30, 2014 and 2013, amortization expense on intangible assets totaled approximately \$34.0 million and \$100.3 million, and \$32.0 million and \$93.8 million respectively.

Amortization of intangibles for the next five years is expected to be approximately:

Year	Annual Amortization (in thousands)
2015	\$ 132,675
2016	\$ 129,537
2017	\$ 115,005



2018	\$ 90,626
2019	\$ 69,331

7. Derivatives and Hedging

In the ordinary course of business, we use derivative instruments, including swaps, forwards and/or options, to manage potential losses from foreign currency exposures and interest bearing assets or liabilities. The principal objective of such derivative instruments is to

13

---

## Table of Contents

minimize the risks and/or costs associated with our global financial and operating activities. We do not utilize derivative or other financial instruments for trading or other speculative purposes. We recognize all derivatives as either assets or liabilities on the balance sheet on a gross basis, measure those instruments at fair value and recognize the change in fair value in earnings in the period of change, unless the derivative qualifies as an effective hedge that offsets certain exposures. We do not offset the fair value of derivative instruments with cash collateral held or received from the same counterparty under a master netting arrangement.

As of September 30, 2014, all derivatives that qualify for hedge accounting are fair value hedges. For derivative instruments that are designated and qualify as a fair value hedge, the effective portion of the gain or loss on the derivative is reflected in earnings. This earnings effect is offset by the change in the fair value of the hedged item attributable to the risk being hedged that is also recorded in earnings. In 2014, there is no ineffectiveness. The cash flows derived from derivatives are classified in the condensed consolidated statements of cash flows in the same category as the condensed consolidated balance sheet account of the underlying item.

### Call Options

We entered into Call Options which, along with the sale of the Warrants, represent the Call Spread Overlay entered into in connection with the Cash Convertible Notes and which are more fully described in Note 9, "Debt". We used \$105.2 million of the proceeds from the issuance of the Cash Convertible Notes to pay the premium for the Call Options, and simultaneously received \$68.9 million, net of issuance costs) from the sale of the Warrants, for a net cash outlay of \$35.8 million for the Call Spread Overlay. The Call Options are intended to offset cash payments in excess of the principal amount due upon any conversion of the Cash Convertible Notes.

Aside from the initial payment of a premium of \$105.2 million for the Call Options, we will not be required to make any cash payments under the Call Options. We will however be entitled to receive under the terms of the Call Options an amount of cash generally equal to the amount by which the market price per share of our common stock exceeds the exercise price of the Call Options during the relevant valuation period. The exercise price under the Call Options is equal to the conversion price of the Cash Convertible Notes.

The Call Options, for which our common stock is the underlying security, are a derivative asset that requires mark-to-market accounting treatment due to the cash settlement features until the Call Options settle or expire. The Call Options are measured and reported at fair value on a recurring basis, within Level 2 of the fair value hierarchy. For further discussion of the inputs used to determine the fair value of the Call Options, refer to Note 8, "Fair Value Measurements." The fair value of the Call Options at September 30, 2014 was approximately \$111.5 million. The Call Options do not qualify for hedge accounting treatment. Therefore, the change in fair value of these instruments is recognized immediately in our Consolidated Statements of Income in other (expense) income, net. For the nine months ended September 30, 2014, the change in the fair value of the Call Options resulted in gains of \$6.3 million. Because the terms of the Call Options are substantially similar to those of the Cash Convertible Notes' embedded cash conversion option, discussed below, we expect the effect on earnings from those two derivative instruments to partially offset each other.

### Cash Convertible Notes Embedded Cash Conversion Option

The embedded cash conversion option within the Cash Convertible Notes is required to be separated from the Cash Convertible Notes and accounted for separately as a derivative liability, with changes in fair value reported in our Consolidated Statements of Income in other (expense) income, net until the cash conversion option settles or expires. For further discussion of the Cash Convertible Notes, refer to Note 9 "Debt". The initial fair value liability of the embedded cash conversion option was \$105.2 million, which simultaneously reduced the carrying value of the Cash Convertible Notes (effectively an original issuance discount). The embedded cash conversion option is measured and reported at fair value on a recurring basis, within Level 2 of the fair value hierarchy. For further discussion of the inputs used to determine the fair value of the embedded cash conversion option, refer to Note 8, "Fair Value Measurements." The fair value of the embedded cash conversion option at September 30, 2014 was approximately \$113.3 million. For the nine months ended September 30, 2014, the change in the fair value of the embedded cash conversion option resulted in losses of \$8.1 million.

#### Foreign Currency Derivatives

As a globally active enterprise, we are subject to risks associated with fluctuations in foreign currencies in our ordinary operations. This includes foreign currency-denominated receivables, payables, debt, and other balance sheet positions including intercompany items. We manage balance sheet exposure on a group-wide basis using foreign exchange forward contracts, foreign exchange options and cross-currency swaps.

#### Interest Rate Derivatives

We use interest rate derivative contracts on certain assets and liabilities to hedge fluctuating interest rates. We have entered into interest rate swaps in which we agree to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. During the third quarter of 2014, we entered into interest rate

Table of Contents

swaps, which effectively fixed the fair value of \$200.0 million of our fixed rate private placement debt and qualify for hedge accounting as fair value hedges. We determined that no ineffectiveness exists related to these swaps. As of September 30, 2014, the \$200.0 million notional swap amount had an aggregate fair value of \$0.5 million which is recorded in other long-term liabilities in the accompanying condensed balance sheet.

Undesignated Derivative Instruments

We are party to various foreign exchange forward, option and swap arrangements which had, at September 30, 2014, an aggregate notional value of \$950.9 million and fair value of \$36.6 million included in prepaid and other assets and \$7.5 million included in accrued and other liabilities, respectively, and which expire at various dates through December 2015.

We were party to various foreign exchange forward and swap arrangements which had, at December 31, 2013, an aggregate notional value of \$842.1 million and fair values of \$2.5 million and \$14.5 million included in prepaid and other assets and accrued and other liabilities, respectively, which expired at various dates through April 2014. The transactions have been entered into to offset the effects from short-term balance sheet exposure to foreign currency exchange risk. Changes in the fair value of these arrangements have been recognized in other (expense) income, net.

Fair Values of Derivative Instruments

The following table summarizes the fair value amounts of derivative instruments reported in the condensed consolidated balance sheets as of September 30, 2014 and December 31, 2013:

(in thousands)	Derivatives in Asset Positions		Derivatives in Liability Positions	
	Fair value 9/30/2014	Fair value 12/31/2013	Fair value 9/30/2014	Fair value 12/31/2013
Derivative instruments designated as hedges				
Interest rate contracts	\$—	\$—	\$ (475 )	\$ —
Foreign exchange contracts	—	—	—	—
Total derivative instruments designated as hedges	\$—	\$—	\$ (475 )	\$ —
Undesignated derivative instruments				
Call spread overlay	\$111,463	\$—	\$ (113,253 )	\$ —
Foreign exchange contracts	36,596	2,533	(7,522 )	(14,518 )
Total derivative instruments	\$148,059	\$2,533	\$ (120,775 )	\$ (14,518 )

Table of Contents

## Gains and Losses on Derivative Instruments

The following tables summarize the locations and gains and losses on derivative instruments for the three and nine months ended September 30, 2014 and 2013:

Three months ended September 30, 2014 (in thousands)	Gain/(loss) recognized in AOCI	Location of (gain) loss in income statement	(Gain) loss reclassified from AOCI into income	Gain (loss) recognized in income
Fair value hedges				
Interest rate contracts	\$—	Other (expense) income, net	\$—	\$(475 )
Undesignated derivative instruments				
Call spread overlay	n/a	Other (expense) income, net	n/a	\$(510 )
Foreign exchange contracts	n/a	Other (expense) income, net	n/a	44,694 \$44,184
Three months ended September 30, 2013 (in thousands)				
Undesignated derivative instruments				
Foreign exchange contracts	n/a	Other (expense) income, net	n/a	\$(15,381 )
Nine months ended September 30, 2014 (in thousands)				
Fair-value hedges				
Interest rate contracts	\$—	Interest expense	\$—	\$—
Undesignated derivative instruments				
Call spread overlay	n/a	Other (expense) income, net	n/a	\$(1,790 )
Foreign exchange contracts	n/a	Other income, net	n/a	52,133 \$50,343
Nine months ended September 30, 2013 (in thousands)				
Undesignated derivative instruments				
Foreign exchange contracts	n/a	Other (expense) income, net	n/a	52,133 \$50,343

Undesignated derivative instruments				
Foreign exchange contracts	n/a	Other income, net	n/a	\$(9,048 )

#### 8. Fair Value Measurements

Assets and liabilities are measured at fair value according to a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs, such as quoted prices in active markets;

Level 2. Inputs, other than the quoted price in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Our assets and liabilities measured at fair value on a recurring basis consist of short-term investments, which are classified in Level 1 and Level 2 of the fair value hierarchy, derivative contracts used to hedge currency and interest rate risk and derivative financial instruments entered into in connection with the Cash Convertible Notes discussed in Note 9, which are classified in Level 2 of the fair

Table of Contents

value hierarchy, and contingent consideration accruals which are classified in Level 3 of the fair value hierarchy, and are shown in the tables below.

In determining fair value for Level 2 instruments, we apply a market approach, using quoted active market prices relevant to the particular instrument under valuation, giving consideration to the credit risk of both the respective counterparty to the contract and the Company. To determine our credit risk we estimated our credit rating by benchmarking the price of outstanding debt to publicly-available comparable data from rated companies. Using the estimated rating, our credit risk was quantified by reference to publicly-traded debt with a corresponding rating. The Level 2 derivative financial instruments include the Call Options asset and the embedded conversion option liability. See Note 9, "Debt", and Note 7, "Derivatives and Hedging", for further information. The derivatives are not actively traded and are valued based on an option pricing model that uses observable market data for inputs. Significant market data inputs used to determine fair values as of September 30, 2014 included our common stock price, the risk-free interest rate, and the implied volatility of our common stock. The Call Options asset and the embedded cash conversion option liability were designed with the intent that changes in their fair values would substantially offset, with limited net impact to our earnings. Therefore, the sensitivity of changes in the unobservable inputs to the option pricing model for such instruments is substantially mitigated.

Our Level 3 instruments include contingent consideration liabilities. We value contingent consideration liabilities using unobservable inputs, applying the income approach, such as the discounted cash flow technique, or the probability-weighted scenario method. Contingent consideration arrangements obligate us to pay the sellers of an acquired entity if specified future events occur or conditions are met such as the achievement of technological or revenue milestones. We use various key assumptions, such as the probability of achievement of the milestones and the discount rate, to represent the non-performing risk factors and time value when applying the income approach. We regularly review the fair value of the contingent consideration, and reflect any change in the accrual in the consolidated statements of income in the line items commensurate with the underlying nature of milestone arrangements.

The following table presents our fair value hierarchy for our financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2014 and December 31, 2013:

(in thousands)	As of September 30, 2014				As of December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Short-term investments	\$7,801	\$200,013	\$—	\$207,814	\$8,550	\$41,373	\$—	\$49,923
Call Option	—	111,463	—	111,463	—	—	—	—
Foreign exchange contracts	—	36,596	—	36,596	—	2,533	—	2,533
	\$7,801	\$348,072	\$—	\$355,873	\$8,550	\$43,906	\$—	\$52,456
<b>Liabilities:</b>								
Foreign exchange contracts	\$—	\$(7,522)	\$—	\$(7,522)	\$—	\$(14,518)	\$—	\$(14,518)
Interest rate contracts	—	(475)	—	(475)	—	—	—	—
Cash Conversion Option	—	(113,253)	—	(113,253)	—	—	—	—
Contingent consideration	—	—	(4,511)	(4,511)	—	—	(6,127)	(6,127)
	\$—	\$(121,250)	\$(4,511)	\$(125,761)	\$—	\$(14,518)	\$(6,127)	\$(20,645)

For liabilities with Level 3 inputs, the following table summarizes the activity for the nine months ended September 30, 2014:

(in thousands)	Contingent Consideration
----------------	--------------------------

Edgar Filing: QIAGEN NV - Form 6-K

Beginning Balance at December 31, 2013	\$(6,127	)
Additions	(56	)
Payments	457	
Gain (loss) included in earnings	1,165	
Foreign currency translation adjustments	50	
Ending balance at September 30, 2014	\$(4,511	)

During 2014, a gain for the reduction in the fair value of contingent consideration totaling \$1.2 million was included in the condensed consolidated statement of income of which \$1.1 million was recognized in cost of sales and \$0.1 million was recognized in general and administrative, restructuring, integration and other.



Table of Contents

The carrying values of financial instruments, including cash and equivalents, accounts receivable, accounts payable and other accrued liabilities, approximate their fair values due to their short-term maturities. The estimated fair value of long-term debt as disclosed in Note 9 was based on current interest rates for similar types of borrowings. The estimated fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future. There were no fair value adjustments in the three or nine-month periods ended September 30, 2014 and 2013 for nonfinancial assets or liabilities required to be measured at fair value on a nonrecurring basis other than the impairment of a cost-method investment as discussed in Note 5, "Investments".

## 9. Debt

Our credit facilities available and undrawn at September 30, 2014 total €438.0 million (approximately \$551.1 million). This includes a €400.0 million syndicated multi-currency revolving credit facility expiring December 2016 of which no amounts were utilized at September 30, 2014 or at December 31, 2013, and four other lines of credit amounting to €38.0 million with no expiration date, none of which were utilized as of September 30, 2014 or as of December 31, 2013. The €400.0 million facility can be utilized in euro, U.K. pound or U.S. dollar and bears interest of 0.8% to 2.35% above three months EURIBOR, or LIBOR in relation to any loan not in euro, and is offered with interest periods of one, two, three, six or twelve months. The commitment fee is calculated based on 35% of the applicable margin. The revolving facility agreement contains certain financial and non-financial covenants, including but not limited to, restrictions on the encumbrance of assets and the maintenance of certain financial ratios. We were in compliance with these covenants at September 30, 2014. The credit facilities are for general corporate purposes.

At September 30, 2014, total long-term debt was approximately \$1.2 billion, \$130.8 million of which is current.

Total long-term debt consists of the following:

(in thousands)	September 30, 2014	December 31, 2013
Notes payable to QIAGEN Euro Finance bearing interest at an effective rate of 3.7% repaid in March 2014	\$—	\$300,000
Notes payable to QIAGEN Finance bearing interest at an effective rate of 1.8% due in February 2024	130,451	145,000
3.19% Series A Senior Notes due October 2019	72,896	73,000
3.75% Series B Senior Notes due October 2022	299,628	300,000
3.90% Series C Senior Notes due October 2024	27,000	27,000
0.375% Senior Unsecured Cash Convertible Notes due 2019	383,911	—
0.875% Senior Unsecured Cash Convertible Notes due 2021	249,609	—
Other notes payable bearing interest up to 6.28% and due through November 2015	881	483
Total long-term debt	1,164,376	845,483
Less current portion	130,828	207
Long-term portion	\$1,033,548	\$845,276

## Cash Convertible Notes due 2019 and 2021

On March 19, 2014, we issued \$730.0 million aggregate principal amount of Cash Convertible Senior Notes of which \$430.0 million is due in 2019 (2019 Notes) and \$300.0 million is due in 2021 (2021 Notes). We refer to the 2019 Notes and 2021 Notes, collectively as the "Cash Convertible Notes". The aggregate net proceeds of the Cash Convertible Notes was \$681.3 million, after payment of the net cost of the Call Spread Overlay described below and transaction costs, excluding approximately \$0.6 million of accrued debt issuance costs at September 30, 2014. Additionally, we used \$372.5 million of the net proceeds to repay the 2006 Notes and related subscription right described below.

Interest on the Cash Convertible Notes is payable semiannually in arrears on March 19 and September 19 of each year, at rates of 0.375% and 0.875% per annum for the 2019 Notes and 2021 Notes, respectively, commencing on

September 19, 2014. The 2019 Notes will mature on March 19, 2019 and the 2021 Notes will mature on March 19, 2021, unless repurchased or converted in accordance with their terms prior to such date.

The Cash Convertible Notes are convertible into cash in whole, but not in part, at the option of noteholders in the following circumstances: (a) from April 29, 2014 through September 18, 2018 for the 2019 Notes, and September 18, 2020 for the 2021 Notes (Contingent Conversion Period), under any of the Contingent Conversion Conditions and (b) at any time following the Contingent Conversion Period through the fifth business day immediately preceding the applicable maturity Date. Upon conversion, noteholders will receive an amount in cash equal to the Cash Settlement Amount, calculated as described below. The Cash Convertible Notes are not convertible into shares of our common stock or any other securities.

Table of Contents

Noteholders may convert their Cash Convertible Notes into cash at their option at any time during the Contingent Conversion Period only under the following circumstances (Contingent Conversion Conditions):

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2014 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- if we undergo certain fundamental changes;
- during the five business day period immediately after any ten consecutive trading day period in which the quoted price for the 2019 Notes or the 2021 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day;
- if we elect to distribute assets or property to all or substantially all of the holders of our common stock and those assets or other property have a value of more than 25% of the average daily volume-weighted average trading price of our common stock for the prior 20 consecutive trading days;
- if we elect to redeem the Cash Convertible Notes; or
- if we experience certain customary events of default, including defaults under certain other indebtedness.

The initial conversion rate is 7,056.7273 shares of our common stock per \$200,000 principal amount of Cash Convertible Notes (reflecting an initial conversion price of approximately \$28.34 per share of common stock). Upon conversion, holders are entitled to a cash payment (Cash Settlement Amount) equal to the average of the conversion rate multiplied by the daily volume-weighted average trading price for our common stock over a 50-day period. The conversion rate is subject to adjustment in certain instances but will not be adjusted for any accrued and unpaid interest. In addition, following the occurrence of certain corporate events that may occur prior to the applicable maturity date, we may be required to pay a cash make-whole premium by increasing the conversion rate for any holder who elects to convert Cash Convertible Notes in connection with the occurrence of such a corporate event. We may redeem the 2019 Notes or 2021 Notes in their entirety at a price equal to 100% of the principal amount of the applicable Cash Convertible Notes plus accrued interest at any time 20% or less of the aggregate principal amount of the applicable Cash Convertible Notes originally issued remain outstanding.

The Cash Convertible Notes are senior unsecured obligations, and rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the Cash Convertible Notes; equal in right of payment to any of our unsecured indebtedness that is unsubordinated; junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

Because The Cash Convertible Notes contain an embedded cash conversion option, we have determined that the embedded cash conversion option is a derivative financial instrument, which is required to be separated from the Cash Convertible Notes and accounted for separately as a derivative liability, with changes in fair value reported in our consolidated statements of operations until the cash conversion option transaction settles or expires. The initial fair value liability of the embedded cash conversion option was \$105.2 million, which simultaneously reduced the carrying value of the Cash Convertible Notes (effectively an original issuance discount). For further discussion of the derivative financial instruments relating to the Cash Convertible Notes, refer to Note 7, "Derivatives and Hedging." As noted above, the reduced carrying value on the Cash Convertible Notes resulted in a debt discount that is amortized to the principal amount through the recognition of non-cash interest expense over the expected life of the debt, which is five and seven years for the 2019 Notes and 2021 Notes, respectively. This resulted in our recognition of interest expense on the Cash Convertible Notes at an effective rate approximating what we would have incurred had nonconvertible debt with otherwise similar terms been issued. The effective interest rate of the 2019 and 2021 Notes is 2.937% and 3.809%, respectively, which is imputed based on the amortization of the fair value of the embedded cash conversion option over the remaining term of the Cash Convertible Notes. As of September 30, 2014, we expect the 2019 Notes to be outstanding until their 2019 maturity date and the 2021 Notes to be outstanding until their 2021 maturity date, for remaining amortization periods of approximately five and seven years, respectively.

In connection with the issuance of the Cash Convertible Notes, we incurred approximately \$13.1 million in transaction costs. Such costs have been allocated to the Cash Convertible Notes and deferred as a long-term asset and

are being amortized over the terms of the Cash Convertible Notes.

Interest expense related to the Cash Convertible Notes was comprised of the following:

19

---

Table of Contents

	Three months ended September 30,	
	2014	2013
Three months ended September 30, (in thousands)		
Coupon interest	\$1,059	\$—
Amortization of original issuance discount	4,113	—
Amortization of debt issuance costs	542	—
Total interest expense related to the Cash Convertible Notes	\$5,714	\$—

	Nine months ended September 30,	
	2014	2013
Nine months ended September 30, (in thousands)		
Coupon interest	\$2,248	\$—
Amortization of original issuance discount	8,689	—
Amortization of debt issuance costs	1,147	—
Total interest expense related to the Cash Convertible Notes	\$12,084	\$—

**Cash Convertible Notes Call Spread Overlay**

Concurrent with the issuance of the Cash Convertible Notes, we entered into privately negotiated hedge transactions (Call Options) with, and issued warrants to purchase shares of our common stock (Warrants) to, certain financial institutions. We refer to the Call Options and Warrants collectively as the “Call Spread Overlay”. The Call Options are intended to offset any cash payments payable by us in excess of the principal amount due upon any conversion of the Cash Convertible Notes. We used \$105.2 million of the proceeds from the issuance of the Cash Convertible Notes to pay for the Call Options, and simultaneously received \$69.4 million from the sale of the Warrants, for a net cash outlay of \$35.8 million for the Call Spread Overlay. The Call Options are derivative financial instruments and is discussed further in Note 7, “Derivatives and Hedging.” The Warrants are equity instruments and are further discussed in Note 12, “Equity.”

Aside from the initial payment of a premium of \$105.2 million for the Call Option, we will not be required to make any cash payments under the Call Options, and will be entitled to receive an amount of cash, generally equal to the amount by which the market price per share of our common stock exceeds the exercise price of the Call Options during the relevant valuation period. The exercise price under the Call Options is initially equal to the conversion price of the Cash Convertible Notes.

The Warrants cover an aggregate of 25.8 million shares of our common stock (subject to anti-dilution adjustments under certain circumstances) and have an initial exercise price of \$32.085 per share, subject to customary adjustments. The Warrants expire as follows: Warrants to purchase 15.2 million shares expire over a period of 50 trading days beginning on December 27, 2018 and Warrants to purchase 10.6 million shares expire over a period of 50 trading days beginning on December 29, 2020. The Warrants are European-style (exercisable only upon expiration). The Warrants could have a dilutive effect to the extent that the price of our common stock exceeds the applicable strike price of the Warrants. For each Warrant that is exercised, we will deliver to the holder a number of shares of our common stock equal to the amount by which the settlement price exceeds the exercise price, divided by the settlement price, plus cash in lieu of any fractional shares. We will not receive any additional proceeds if the Warrants are exercised.

**Private Placement**

In October 2012, we completed a private placement through the issuance of new senior unsecured notes at a total amount of \$400 million with a weighted average interest rate of 3.66% (settled on October 16, 2012). The notes were issued in three series: (1) \$73 million 7-year term due in 2019 (3.19%); (2) \$300 million 10-year term due in 2022 (3.75%); and (3) \$27 million 12-year term due in 2024 (3.90%). We paid \$2.1 million in debt issue costs which are being amortized through interest expense over the lifetime of the notes. The note purchase agreement contains certain

financial and non-financial covenants, including but not limited to, restrictions on priority indebtedness and the maintenance of certain financial ratios. We were in compliance with these covenants at September 30, 2014. Based on an estimation using the changes in the U.S. Treasury rates, the fair value of these senior notes at September 30, 2014, was approximately \$385.9 million.

#### 2006 Notes

In May 2006, we completed the offering of \$300 million of 3.25% Senior Convertible Notes due in 2026 (2006 Notes) through an unconsolidated subsidiary, QIAGEN Euro Finance (Euro Finance). The net proceeds of the 2006 Notes were loaned by Euro Finance to consolidated subsidiaries and at December 31, 2013, \$300 million is included in long-term debt for the loan amounts payable to

Table of Contents

Euro Finance. These long-term notes payable to Euro Finance had an effective interest rate of 3.7% and were due in May 2026. Interest was payable semi-annually in May and November. The 2006 Notes were issued at 100% of the principal amount, and were convertible into 15.0 million common shares at the option of the holders upon the occurrence of certain events, at a price of \$20.00 per share, subject to adjustment. QIAGEN N.V. had an agreement with QIAGEN Euro Finance to issue shares to the note holders in the event of conversion. This subscription right, along with the related receivable, was recorded at fair value in the equity of QIAGEN N.V. as paid-in capital. In March 2014, we redeemed the \$300 million loan payable to Euro Finance and approximately 98% of the subscription right with QIAGEN Euro Finance for \$372.5 million, and recognized a loss on the redemption of \$4.6 million in other (expense) income, net. During 2014, we issued 0.2 million common shares in exchange for \$3.9 million upon the exercise of the remaining subscription right.

## 2004 Notes

In August 2004, we completed the sale of \$150 million of 1.5% Senior Convertible Notes due in 2024 (2004 Notes), through our unconsolidated subsidiary QIAGEN Finance. The net proceeds of the 2004 Notes were loaned by QIAGEN Finance to consolidated subsidiaries with an effective interest rate of 1.8% at September 30, 2014 and December 31, 2013. The 2004 Notes are due in February 2024. Interest is payable semi-annually in February and August. The 2004 Notes were issued at 100% of principal value, and are convertible into 11.5 million common shares at the option of the holders upon the occurrence of certain events at a price of \$12.6449 per share, subject to adjustment. QIAGEN N.V. has an agreement with QIAGEN Finance to issue shares to the investors in the event of conversion. This subscription right, along with the related receivable, is recorded at fair value in the equity of QIAGEN N.V. as paid-in capital. In 2014, 1.2 million common shares were issued in connection with conversions. The 2004 Notes may be redeemed, in whole or in part, at QIAGEN Finance's option at 100% of the principal amount, provided that the actual trading price of our common shares exceeds 120% of the conversion price for twenty consecutive trading days. In addition, the holders of the 2004 Notes may require QIAGEN Finance to repurchase all or a portion of the outstanding 2004 Notes for 100% of the principal amount, plus accrued interest, on August 18, 2019. \$130.5 million is included in short-term debt for the loan amounts payable to QIAGEN Finance, with a maturity date of February 2024 but is due on demand in connection with conversions. Based on an estimation using available over-the-counter market information on the convertible bond issued by QIAGEN Finance, the fair value of the 2004 Notes at September 30, 2014 was \$235.3 million. We have reserved 10.1 million common shares for issuance in the event of conversion of the 2004 Notes.

We believe that funds from operations, existing cash and cash equivalents, and availability of financing facilities as needed, will be sufficient to fund our debt repayment obligations as they come due in the next twelve months.

## 10. Income Taxes

The provision for income taxes is based upon the estimated annual effective tax rates for the year applied to the current period income before tax plus the tax effect of any significant unusual items, discrete events or changes in tax law. Our operating subsidiaries are exposed to effective tax rates ranging from zero to approximately 42%. Fluctuations in the distribution of pre-tax income among our operating subsidiaries can lead to fluctuations of the effective tax rate in the condensed consolidated financial statements. In the three-month periods ended September 30, 2014 and 2013, the effective tax rates were 7.1% and (34.4)%, respectively. In the nine-month periods ended September 30, 2014 and 2013, the effective tax rates were 12.8% and (41.0)%. Our negative tax rates in 2013 are primarily the result of restructuring charges and impairments which are attributable to higher taxed jurisdictions. We assess uncertain tax positions in accordance with ASC 740 (ASC 740-10 Accounting for Uncertainties in Tax). At September 30, 2014, our net unrecognized tax benefits totaled approximately \$12.4 million which, if recognized, would favorably impact our effective tax rate in the periods in which they are recognized. It is possible that approximately \$0.4 million of the unrecognized tax benefits may be released during the next 12 months due to lapse of statutes of limitations or settlements with tax authorities. We cannot reasonably estimate the range of the potential outcomes of these matters.

We conduct business globally and, as a result, file numerous consolidated and separate income tax returns in The Netherlands, Germany, Switzerland and the U.S. federal jurisdiction, as well as in various other state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world. Our subsidiaries are generally no longer subject to income tax examinations by tax authorities for years before 2008. Currently, the U.S. tax authority (Internal Revenue Service) is examining our U.S. federal tax returns for 2011 and 2012. The outcome is not assessable at this time.

As of September 30, 2014, residual Netherlands income taxes have not been provided on the undistributed earnings of the majority of our foreign subsidiaries as these earnings are considered to be either permanently reinvested or can be repatriated tax free.

#### 11. Inventories

The components of inventories consist of the following as of September 30, 2014 and December 31, 2013:



Table of Contents

(in thousands)	September 30, 2014	December 31, 2013
Raw materials	\$ 23,321	\$ 24,975
Work in process	23,092	25,535
Finished goods	85,112	77,587
Total inventories	\$ 131,525	\$ 128,097

## 12. Equity

## Issuance of Warrants

In March 2014, in connection with the issuance of our Cash Convertible Notes, we issued warrants (as described in Note 9, "Debt") for approximately 25.8 million shares of our common stock (subject to antidilution adjustments under certain circumstances) with an initial exercise price of \$32.085 per share, subject to customary adjustments. The proceeds, net of issuance costs, from the sale of the Warrants of approximately \$68.9 million are included as additional paid in capital in the accompanying balance sheet, net of issuance costs. The Warrants expire as follows: Warrants to purchase 15.2 million shares expire over a period of 50 trading days beginning on December 27, 2018 and Warrants to purchase 10.6 million shares expire over a period of 50 trading days beginning on December 29, 2020. The Warrants are exercisable only upon expiration. For each Warrant that is exercised, we will deliver to the holder a number of shares of our common stock equal to the amount by which the settlement price exceeds the exercise price, divided by the settlement price, plus cash in lieu of any fractional shares. The Warrants could separately have a dilutive effect on shares of our common stock to the extent that the market value per share of our common stock exceeds the applicable exercise price of the Warrants (as measured under the terms of the Warrants).

## Share Repurchase Program

In 2012, our Supervisory Board approved a program authorizing management to purchase up to a total of \$100 million of our common shares (excluding transaction costs). We completed this share repurchase program in April 2013 having repurchased, between October 2012 and April 2013, a total of 5.1 million QIAGEN shares for an aggregate cost of \$99.0 million.

In July 2013, we announced our intention to exercise the authorization granted by the Annual General Meeting of Shareholders on June 26, 2013, to purchase up to \$100 million of our common shares (excluding transaction costs). In 2013, 1.0 million QIAGEN shares were repurchased for \$22.7 million and 3.4 million QIAGEN shares were repurchased for \$77.7 million in 2014 for an aggregate cost of \$100.4 million (including performance fees), under this program.

In July 2014, we announced the launch of our third \$100 million share repurchase program after completing the second \$100 million program in June 2014. During the third quarter, 0.6 million QIAGEN shares were repurchased for \$14.2 million.

The cost of repurchased shares is included in treasury stock and reported as a reduction in total equity when a repurchase occurs. Repurchased shares will be held in treasury in order to satisfy various obligations, which include exchangeable debt instruments, warrants and employee share-based remuneration plans.

## Accumulated Other Comprehensive Income (Loss)

The following table is a summary of the components of accumulated other comprehensive income (loss) as of September 30, 2014 and December 31, 2013:

(in thousands)	September 30, 2014	December 31, 2013
----------------	-----------------------	----------------------

Edgar Filing: QIAGEN NV - Form 6-K

Net unrealized gain on pension, net of tax	\$ (401	)	\$ (401	)
Foreign currency effects from intercompany long-term investment transactions, net of tax of \$6.8 million and \$6.5 million in 2014 and 2013, respectively	12,775		12,164	
Foreign currency translation adjustments	(87,453	)	(15,955	)
Accumulated other comprehensive loss	\$ (75,079	)	\$ (4,192	)

13. Earnings per Common Share

22

---

Table of Contents

We present basic and diluted earnings per share. Basic earnings per share is calculated by dividing the net income attributable to the owners of QIAGEN N.V. by the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution that would occur if all “in the money” securities to issue common shares were exercised. The following table summarizes the information used to compute earnings per common share:

	Three months ended September 30,	
(in thousands, except per share data)	2014	2013
Net income attributable to the owners of QIAGEN N.V.	\$34,689	\$40,701
Weighted average number of common shares used to compute basic net income per common share	232,872	234,463
Dilutive effect of warrants	5,087	5,133
Dilutive effect of stock options and restricted stock units	3,468	2,809
Weighted average number of common shares used to compute diluted net income per common share	241,427	242,405
Outstanding options and awards having no dilutive effect, not included in above calculation	213	1,471
Outstanding warrants having no dilutive effect, not included in above calculation	31,395	21,334
Basic earnings per common share attributable to the owners of QIAGEN N.V.	\$0.15	\$0.17
Diluted earnings per common share attributable to the owners of QIAGEN N.V.	\$0.14	\$0.17
	Nine months ended September 30,	
(in thousands, except per share data)	2014	2013
Net income attributable to the owners of QIAGEN N.V.	\$90,791	\$8,923
Weighted average number of common shares used to compute basic net income per common share	232,763	233,954
Dilutive effect of warrants	5,536	4,622
Dilutive effect of stock options and restricted stock units	3,374	2,862
Weighted average number of common shares used to compute diluted net income per common share	241,673	241,438
Outstanding options and awards having no dilutive effect, not included in above calculation	485	1,853
Outstanding warrants having no dilutive effect, not included in above calculation	36,469	21,845
Basic earnings per common share attributable to the owners of QIAGEN N.V.	\$0.39	\$0.04
Diluted earnings per common share attributable to the owners of QIAGEN N.V.	\$0.38	\$0.04

## 14. Commitments and Contingencies

## Contingent Consideration Commitments

Pursuant to the purchase agreements for certain acquisitions, we could be required to make additional contingent cash payments totaling up to \$109.9 million based on the achievement of certain revenue and operating results milestones as follows: \$50.5 million in the remainder of 2014, \$16.0 million in 2015, \$17.2 million in 2016, \$7.0 million in 2017, and \$19.2 million payable in any 12-month period from now through 2029 based on the accomplishment of certain revenue or diagnostic approval targets. Of the \$109.9 million total contingent obligation, \$37.7 million if earned

would be recorded as an adjustment to goodwill. Of the remaining \$72.2 million, we have assessed the fair value at September 30, 2014 to be \$4.5 million, which is included in accrued and other liabilities as of September 30, 2014.

**Preacquisition Contingencies**

In connection with certain acquisitions, amounts were paid into escrow accounts to cover certain preacquisition contingencies assumed in the acquisition. The escrow amounts that can be claimed by QIAGEN are recorded as an asset in prepaid and other expenses and amount to \$2.5 million as of September 30, 2014 (\$2.5 million as of December 31, 2013). In addition, we have recorded \$0.1 million for preacquisition contingencies as a liability under accrued and other liabilities as of September 30, 2014 (\$0.1 million as of December 31, 2013).

Table of Contents

## Contingencies

In the ordinary course of business, we provide a warranty to customers that our products are free of defects and will conform to published specifications. Generally, the applicable product warranty period is one year from the date of delivery of the product to the customer or of site acceptance, if required. Additionally, we typically provide limited warranties with respect to our services. From time to time, we also make other warranties to customers, including warranties that our products are manufactured in accordance with applicable laws and not in violation of third-party rights. We provide for estimated warranty costs at the time of the product sale. We believe our warranty reserves of \$4.7 million as of September 30, 2014 and December 31, 2013, appropriately reflect the estimated cost of such warranty obligations.

## Litigation

From time to time, QIAGEN may be party to legal proceedings incidental to its business. As of September 30, 2014, certain claims, suits or legal proceedings arising out of the normal course of business have been filed or were pending against QIAGEN or its subsidiaries. These matters have arisen in the ordinary course and conduct of business, as well as through acquisition. Although it is not possible to predict the outcome of such litigation, we assess the degree of probability and evaluate the reasonably possible losses that we could incur as a result of these matters. We accrue for any estimated loss when it is probable that a liability has been incurred and the amount of probable loss can be estimated. Based on the facts known to QIAGEN and after consultation with legal counsel, management believes that such legal proceedings will not have a material adverse effect on QIAGEN's financial position or results of operations.

## 15. Share-Based Compensation

## Stock Options

During the three- and nine-month periods ended September 30, 2014, we did not grant any options to purchase common shares, compared to options to purchase 1,700 and 542,403 common shares granted for the three- and nine-month periods ended September 30, 2013.

The unrecognized share-based compensation expense related to employee stock option awards, less estimated forfeitures, was approximately \$1.6 million, as of September 30, 2014 which will be recognized over a period of 1.19 years.

## Stock Units

Stock units represent rights to receive Common Shares at a future date and include restricted stock units which are subject to time-vesting only and performance stock units which include performance conditions in addition to time-vesting. During the three- and nine-month periods ended September 30, 2014, we granted 81,644 and 1.6 million stock awards compared to 0.4 million and 2.7 million stock awards for the three- and nine-month periods ended September 30, 2013, respectively.

At September 30, 2014, there was \$124.6 million remaining in unrecognized compensation expense, less estimated forfeitures, related to these awards which will be recognized over a period of 2.93 years.

## Share-Based Compensation Expense

Total share-based compensation expense for the three- and nine-month periods ended September 30, 2014 and 2013 is comprised of the following:

	Three months ended September 30,	
	2014	2013
Compensation Expense (in thousands)		
Cost of sales	\$861	\$585
Research and development	1,654	2,295
Sales and marketing	2,767	2,265
General and administrative, restructuring, integration and other	4,908	3,142
Share-based compensation expense before taxes	10,190	8,287
Less: income tax benefit	2,218	2,112
Net share-based compensation expense	\$7,972	\$6,175



Table of Contents

	Nine months ended September 30,	
	2014	2013
Compensation Expense (in thousands)		
Cost of sales	\$2,456	\$2,290
Research and development	5,462	5,124
Sales and marketing	7,525	7,148
General and administrative, restructuring, integration and other	14,160	12,183
Share-based compensation expense before taxes	29,603	26,745
Less: income tax benefit	6,518	5,902
Net share-based compensation expense	\$23,085	\$20,843

During the three- and nine-month periods ended September 30, 2013, we recognized expense of \$1.4 million in connection with

retirement benefits for Supervisory Board members. No compensation cost was capitalized in inventory at September 30, 2014 or December 31, 2013 as the amounts were not material.

#### 16. Related Party Transactions

From time to time, we engage in transactions with companies in which we hold interests all of which are individually and in the aggregate immaterial except for certain transactions as discussed below.

We have a 100% interest in QIAGEN Finance (Luxembourg) S.A. (QIAGEN Finance) and QIAGEN Euro Finance (Luxembourg) S.A. (Euro Finance), which were established for the purpose of issuing convertible debt. As discussed in Note 9, QIAGEN Finance and Euro Finance are variable interest entities with no primary beneficiary, thus they are not consolidated. Accordingly, the convertible debt is not included in the consolidated statements of QIAGEN N.V., though QIAGEN N.V. does report the full obligation of the debt through its liabilities to QIAGEN Finance and Euro Finance. As of September 30, 2014 and December 31, 2013, we had loans payable to QIAGEN Finance of \$130.5 million and \$145.0 million, respectively, accrued interest due to QIAGEN Finance of \$1.3 million and \$4.3 million, respectively and amounts receivable from QIAGEN Finance of \$1.0 million and \$3.4 million, respectively. As of December 31, 2013, we had a loan payable to Euro Finance of \$300.0 million, accrued interest due to Euro Finance of \$2.6 million and amounts receivable from Euro Finance of \$1.3 million. The loan payable to Euro Finance was redeemed together with all accrued interest in the first quarter of 2014. The amounts receivable are related to subscription rights which are recorded net in the equity of QIAGEN N.V. as paid-in capital.

In June 2013, we collected \$1.6 million from a loan receivable due from a company in which we also hold an interest. During 2012, we entered into a development and license agreement with a company in which we also hold an interest. Under the terms of this agreement we paid a total of \$7.7 million in 2013.

## Table of Contents

### 17. Subsequent Event

Since October 1, 2014 and settled through October 28, 2014, we have repurchased 789,039 QIAGEN shares on the Frankfurt Stock Exchange at a volume-weighted average price of €17.50 (approximately €13.8 million or \$17.5 million in total) under the share repurchase program discussed more fully in Note 12 "Equity".

### OPERATING AND FINANCIAL REVIEW AND PROSPECTS

This section contains a number of forward-looking statements. These statements are based on current management expectations, and actual results may differ materially. Among the factors that could cause actual results to differ from management's expectations are those described in "Risk Factors" and "Forward-looking and Cautionary Statements" below.

#### Forward-looking and Cautionary Statements

This report contains forward-looking statements that are subject to risks and uncertainties. These statements can be identified by the use of forward-looking terminology, such as "believe," "hope," "plan," "intend," "seek," "may," "will," "could," "should," "would," "expect," "anticipate," "estimate," "continue" or other similar words. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. We caution investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements as a result of various factors, including, but not limited to, the following: risks associated with our expansion of operations, including the acquisition of new businesses; variability in our operating results from quarter to quarter; management of growth, international operations, and dependence on key personnel; intense competition; technological change; our ability to develop and protect proprietary products and technologies and to enter into and maintain collaborative commercial relationships; our future capital requirements; general economic conditions and capital market fluctuations; and uncertainties as to the extent of future government regulation of our business. As a result, our future success involves a high degree of risk. For further information, refer to the more specific risks and uncertainties discussed in Part 1, Item 3 "Key Information" of our Annual Report on Form 20-F for the year ended December 31, 2013 and under the heading "Risk Factors" below.

#### Results of Operations

##### Overview

We are the world's leading provider of innovative Sample & Assay Technologies, based on independent market studies of United States and European market shares for our products and technologies. Our automated systems and consumable products empower customers to transform raw biological samples into valuable molecular information. Sample technologies are used to collect, stabilize, isolate, purify and store DNA, RNA and proteins from any biological sample, such as blood or tissue. Assay technologies are then used to enrich, detect and provide results for analysis of biomolecules, such as the DNA of a virus or a mutation of a gene.

We sell our products, sample and assay kits known as consumables and automated instrumentation systems using those technologies, to four major customer classes:

• **Molecular Diagnostics**-healthcare providers supporting many aspects of patient care including prevention, profiling of diseases, personalized healthcare and point of need testing

• **Applied Testing**- government or industry customers using molecular technologies in fields such as forensics, veterinary diagnostics and food safety testing

• **Pharma**-drug discovery and development efforts of pharmaceutical and biotechnology companies

• **Academia**-researchers exploring the secrets of life such as the mechanisms and pathways of diseases, and in some cases translating that research into drug targets or commercial applications

We market products in more than 100 countries throughout the world. We have established subsidiaries in markets we believe have the greatest sales potential, including countries throughout Europe, Asia, the Americas and Australia. We



also work with specialized independent distributors and importers. As of September 30, 2014, we employed approximately 4,200 people in more than 35 locations worldwide.

QIAGEN continues to accelerate the pace of innovation and growth in 2014 by executing on targeted initiatives to expand our leadership in addressing the rapidly evolving needs of customers to transform biological samples into valuable molecular insights. Our focus is on the following growth drivers: (1) further increasing adoption of the QIASymphony automation platform and expanding the test menu, (2) extending leadership in Personalized Healthcare with innovative companion diagnostics to guide treatment decisions, (3) establishing the QuantiFERON-TB test as the modern “gold standard” for latent tuberculosis control, (4)

## Table of Contents

expanding the use of QIAGEN bioinformatics to analyze, interpret and report complex biological data; and (5) creating a leading portfolio of universal NGS solutions and complete workflows to drive its adoption in clinical research and diagnostics.

Recent developments in 2014 include:

### QIASymphony delivering rapid growth in placements as content menu expands

After surpassing 1,000 cumulative QIASymphony placements in 2013, QIAGEN is moving ahead toward achieving its goal of 1,250 cumulative placements by the end of 2014. Approximately 60% of the current placements are in Molecular Diagnostic laboratories, and about 40% are in the Life Sciences with Applied Testing, Pharma and Academia customers.

The growing installed base of QIASymphony instruments and expanding content menus are driving double-digit growth in related consumables. So far in 2014, seven QIAGEN tests on the Rotor-Gene Q real-time PCR platform, a member of the QIASymphony family, have been approved by regulators in Europe and/or the United States. QIAGEN is advancing various additional development projects toward regulatory submissions.

### Personalized Healthcare leadership gaining further momentum

A new master collaboration agreement with Astellas Pharma Inc., an R&D-driven global pharmaceutical company headquartered in Japan, aims to develop companion diagnostics paired with Astellas drug candidates in cancer and other diseases. The scope of the agreement can include certain sample types, platforms, indications or biomarkers, thereby giving Astellas access to QIAGEN's development capabilities for assays based on PCR, NGS and multimodal testing technologies using liquid and tissue biopsies. Two initial projects focus on oncology and diagnostics paired with compounds currently in early clinical development: ASP5878, a fibroblast growth factor receptor (FGFR) inhibitor, and ASP8273, an EGFR inhibitor.

QIAGEN recently submitted a premarket approval (PMA) application to the FDA for U.S. regulatory approval of a companion diagnostic paired with a drug of an undisclosed partner.

### QuantiFERON-TB expanding rapidly around the world, launch moving ahead in China

QuantiFERON-TB, the market-leading diagnostic for latent tuberculosis infection, continued to deliver strong growth in the third quarter of 2014 and is on track to surpass \$100 million in full-year sales. The launch of this product in China during 2014 is moving ahead quickly, while sales are also expanding in the U.S. and Europe amid significant market conversion opportunities against the 120-year-old skin test. QIAGEN is preparing for commercialization of QuantiFERON-TB Plus, a fourth-generation test for latent TB infection that will deliver an improved clinical profile and further workflow optimization.

### Bioinformatics tools driving the advancement of NGS technologies

QIAGEN is driving the growth of its industry-leading bioinformatics portfolio, expanding and integrating the capabilities of its Ingenuity® Variant Analysis™, BIOBASE and CLC Cancer Research Workbench solutions for the analysis, interpretation and reporting of complex genomic data generated through next-generation sequencing.

Thousands of researchers have uploaded and analyzed more than 250,000 human genomic samples using QIAGEN bioinformatics solutions, which has further expanded the leading position of the QIAGEN knowledge base.

The BIOBASE Human Gene Mutation Database (HGMD®) has been integrated with Ingenuity Variant Analysis, providing comprehensive information on human inherited disease mutations in the Ingenuity Knowledge Base in addition to expertly curated data from the world's medical and scientific literature.

CLC Cancer Research Workbench has been expanded to detect copy number variations (CNVs) and variants from RNA-seq data. At the recent annual meeting of the American Society of Human Genetics (ASHG), QIAGEN also demonstrated the first "FastQ-to-insight solution," a new plug-in integrated with Ingenuity Variant Analysis that allows users to identify and interpret somatic cancer driver mutations.

Genomics England, a U.K. collaboration to sequence 100,000 whole genomes from patients and mine the genomic information for insights into diseases and better ways of treatment, has named QIAGEN a winner of its technology assessment. QIAGEN will provide the UK100K project's researchers with access to Ingenuity® Variant Analysis™. Innovative NGS workflows and universal solutions helping to address clinical needs

QIAGEN's presence in next-generation sequencing laboratories is expanding with the launch with a series of new "universal" sample and assay technology solutions that are compatible with any sequencing platform. These solutions include sample extraction and purification technologies - especially for cancer tumor samples and single-cell procedures - as well as a portfolio with 14 recently launched GeneRead DNaseq V2 gene panels for targeted enrichment of cancer-related genomic targets.

## Table of Contents

Development of the sample-to-insight workflow incorporating the GeneReader benchtop NGS sequencer is progressing, with commercialization continuing to be expected in the second half of 2015.

Supporting public health agencies worldwide in the fight against the Ebola virus

Building on its capabilities as the leading provider of diagnostic and surveillance solutions - proven in many outbreaks, including H1N1 and H5N1 influenza, SARS (Severe Acute Respiratory Syndrome) and MERS (Middle East Respiratory Syndrome) - QIAGEN has taken an active role in the fight against the spread of Ebola. QIAGEN teams are working together with international partners in Africa and around the world to provide a broad range of molecular testing components that are essential for workflows used for detection of this virus. These QIAGEN products - which include the RNeasy and QIAamp® Viral RNA Mini extraction kits as well as the QIASymphony, QIAcube and EZ1 Advanced instruments - are being used by many laboratories around the world in research and clinical diagnosis settings. QIAGEN products are also essential components of the CDC test protocol and the EZ1-Test protocol used by the U.S. Department of Defense, which received FDA emergency authorization in August 2014. Also in the third quarter of 2014, QIAGEN entered into a partnership with Hamburg-based Altona Diagnostics under which QIAGEN will market a range of assays, including a highly sensitive test for Filoviruses (Ebola and Marburg) that is CE IVD-marked for use on QIAGEN instruments and recommended for use with QIAGEN sample technology solutions. QIAGEN is making this test accessible through its commercial networks in many countries around the world, including in Africa.

### Recent Acquisitions

We have made a number of other strategic acquisitions, expanding our technology and product offerings as well as extending our geographic presence. These transactions include:

In August 2013, we acquired CLC bio (CLC), a global leader in bioinformatics software with a focus on next-generation sequencing (NGS). This acquisition creates a complete workflow from biological sample to valuable molecular insights. CLC bio, a privately-held company based in Aarhus, Denmark, was founded in 2005 and has created the leading commercial data analysis solutions and workbenches for NGS. CLC's leading products are CLC Genomics Workbench, a comprehensive and user-friendly analysis package for analyzing, comparing and visualizing NGS data; and CLC Genomics Server, a flexible enterprise-level infrastructure and analysis backbone for NGS data analysis.

In April 2013, we acquired Ingenuity Systems, Inc. (Ingenuity), the leading provider of software solutions that efficiently and accurately analyze and interpret the biological meaning of genomic data. Ingenuity, a privately-held U.S. company based in California's Silicon Valley, created a market leading, expertly curated knowledge system of biomedical information and analysis solutions for the exploration, interpretation and analysis of complex biological systems. New technologies such as NGS are now generating more data in a single year than was created in all prior history, making the analysis and interpretation of this extensive and very complex biological data a critical success factor.

Our financial results include the contributions of our recent acquisitions from the date of acquisition, as well as costs related to the acquisitions and integrations of the acquired companies, such as the relocation and closure of certain facilities.

We determined that we operate as one business segment in accordance with ASC Topic 280, Segment Reporting. Our chief operating decision maker (CODM) makes decisions on business operations and resource allocation based on evaluations of our Company as a whole. With revenues derived from our entire product and service offerings, it is not practicable to provide a detail of revenues for each group of similar products and services or for each customer group, as full discrete financial information is not available. However, we do provide certain revenue information by customer class to allow better insight into our operations. This information is estimated using certain assumptions to allocate revenue among the customer classes.

Three- and Nine-Month Periods Ended September 30, 2014 compared to Three- and Nine- Month Periods Ended September 30, 2013

Net Sales

In the third quarter of 2014, net sales increased by 4% to \$336.5 million, from \$322.1 million in the third quarter of 2013, led by higher sales of consumables and related revenues (+4%, 87% of sales) and instruments (+11%, 13% of sales) as well as improved results in the Molecular Diagnostics, Applied Testing and Pharma customer classes. About one percentage point of total growth came from the bioinformatics acquisitions of CLC bio (as of August 22, 2013) and BIOBASE (as of April 3, 2014), and three percentage points from the rest of the business. Currency movements had no tangible impact on reported net sales growth. For the first three months of 2014, U.S. sales of HPV products declined in line with previously communicated expectations and created approximately six percentage points of headwind on total net sales growth.

Net sales rose 5% advanced in the nine-months \$984.4 million compared to \$940.9 million in the same period in 2013, on improving results in all customer classes and regions as well as higher sales of consumables and related revenues (+5%, 88% of

Table of Contents

sales) and instruments (+4%, 12% of sales). Total growth included about two percentage points from the bioinformatics acquisitions of Ingenuity (as of April 29, 2013), CLC bio (as of August 22, 2013) and BIOBASE (as of April 3, 2014), and about two percentage points from the rest of the business. Currency movements had no tangible impact on reported net sales growth. For the first nine months of 2014, U.S. sales of HPV products declined in line with previously communicated expectations and created approximately four percentage points of headwind on total net sales growth.

Geographic regions: In the third quarter of 2014, the Europe / Middle East / Africa region (+13% / 33% of sales) led the performance on improving results in particular in the Nordic region and Turkey. The Americas (-3% / 47% of sales) was impacted by the expected decline in revenues related to HPV testing solutions, as well as lower sales in Brazil and Mexico due to the timing of national tenders. The Asia-Pacific / Japan region (+6% / 19% of sales) delivered double-digit growth in China, and also improvements in Japan and South Korea. Sales in the top seven emerging markets (-1% / 14% of sales) were hampered by lower sales in Russia, Brazil and Mexico offsetting gains in China, South Korea, Turkey and India.

Product categories: In the third quarter of 2014, consumables and related revenues (+4%, 87% of sales) benefited from gains in Applied Testing, Molecular Diagnostics and Pharma, while Academia was stable compared to the third quarter of 2013. Contributions from the bioinformatics portfolio acquired during 2013 and 2014 supported results in all customer classes. In the first nine months of 2014, consumables and related revenues rose 5% and provided 88% of sales.

Instruments (+11%, 13% of sales) grew at a double-digit pace in Molecular Diagnostics, and at solid single-digit rates in Pharma and Applied Testing, which more than offset a modest decline in Academia. In the first nine months of 2014, instrument sales (which also include instrument service revenues) rose 4% and provided 12% of sales.

Customer classes: An overview of performance in QIAGEN's four customer classes:

Molecular Diagnostics, which contributed approximately 52% of net sales and 5% growth in the third quarter of 2014 compared to the third quarter of 2013, advanced on the ongoing solid expansion of QIAGEN's growth drivers, overcoming the expected decline in U.S. HPV test product sales (-46%, 11% of sales) and helping to deliver 19% from the rest of the portfolio. The QuantiFERON-TB latent tuberculosis test delivered strong gains in the U.S. and Europe, in line with a 17% annual growth rate, and remains on track to exceed \$100 million of sales in 2014. Profiling consumables rose more than 20%, benefiting from the growing installed base of the QIASymphony automation system and the related menu expansion in Europe and the U.S. Personalized Healthcare sales also advanced at a solid double-digit pace on improving demand for companion diagnostic assays and significantly higher revenues from pharmaceutical co-development projects in the third quarter of 2014. Sales of HPV testing products outside the U.S. declined in the third quarter of 2014, reflecting the impact of timing for national tenders compared to 2013. In the first nine months of 2014, Molecular Diagnostics sales rose 5% and provided 50% of sales.

QIAGEN continues to maintain a solid leadership position in the U.S. market for cervical cancer screening with its digene HC2 Test, despite aggressive pricing actions launched by new competitors in recent years. QIAGEN currently expects another decline in U.S. HPV sales in 2015 as a result of new price concessions that are being made during the second half of 2014 as part of customer contract renewals and designed to secure the leading market share for this product. Outside of the U.S., QIAGEN enjoys a solid leadership position for its HPV product portfolio based on its proven superiority in terms of clinical profile. This area provided approximately 4% of total sales in the first nine months of 2014, and is targeting opportunities for further sales expansion in 2015.

Applied Testing, which represented approximately 8% and 7% growth, delivered solid single-digit sales gains from consumables and instruments, particularly in Human ID / forensics, as well as from expansion of the bioinformatics portfolio to these customers. In the first nine months of 2014, Applied Testing sales also rose 8% and provided 8% of sales.

Pharma, which represented approximately 19% of net sales with 6% growth, saw higher instrument sales in the third quarter along with a similar single-digit increase in contributions from consumables and bioinformatics, driven by the strongest expansion in the Americas region. In the first nine months of 2014, Pharma sales also rose 5% and provided 19% of sales.

Academia which represented approximately 21% of net sales, experienced a modest decline in instruments sales and largely flat consumable sales compared to the third quarter of 2013, with funding conditions improving modestly in some European countries and the United States during the third quarter of 2014. QIAGEN continues to expect funding levels to improve during the fourth quarter of 2014 and in 2015, but effectively remaining below levels seen in previous years. In the first nine months of 2014, Academia sales rose 1% and provided 22% of sales.

**Gross Profit**

Gross profit was \$223.2 million (66% of net sales) for the three-month period ended September 30, 2014, as compared to \$210.7 million (65% of net sales) in the same period in 2013. Gross profit for the nine-month period ended September 30, 2014 was

Table of Contents

\$649.2 million (66% of net sales) as compared to \$579.6 million (62% of net sales) for the same period in 2013. Generally, our consumable sample and assay products have a higher gross margin than our instrumentation products and service arrangements. Fluctuations in the sales levels of these products and services can result in fluctuations in gross margin between periods. Further, amortization expense related to developed technology and patent and license rights, which have been acquired in business combinations, is included in cost of sales. In the third quarter of 2014, the amortization expense on acquisition-related intangibles within cost of sales increased to \$20.4 million compared to \$19.9 million in the 2013 period and for the nine-month period ended September 30, 2014, increased to \$61.4 million compared to \$57.5 in the same period of 2013. We expect that our acquisition-related intangible amortization will increase as a result of future acquisitions.

**Research and Development**

Research and development expenses increased by 21% to \$41.5 million (12% of net sales) in the third quarter of 2014, compared to \$34.3 million (11% of net sales) in the same period of 2013. For the nine-month period ended September 30, 2014, research and development expenses increased by 17% to \$119.7 million (12% of net sales) compared to \$102.3 million (11% of net sales) for the same period in 2013. The increase in research and development expense in 2014 primarily reflects our 2013 acquisitions. Our business combinations, along with the acquisition of new technologies, may continue to increase our research and development costs. As we continue to discover, develop and acquire new products and technologies, we expect to incur additional expenses related to facilities, licenses and employees engaged in research and development efforts. Additionally, research and development costs are expected to increase as a result of seeking regulatory approvals, including U.S. FDA Pre-Market Approval (PMA), U.S. FDA 510(k) clearance and EU CE approval of certain assays or instruments. We have a strong commitment to innovation and expect to continue to make investments in our research and development efforts.

**Sales and Marketing**

Sales and marketing expenses were unchanged at \$92.1 million (27% of net sales) in the third quarter of 2014 from \$92.2 million (29% of net sales) in the same period of 2013. Sales and marketing expenses increased by 1% to \$276.3 million (28% of net sales) for the nine-month period ended September 30, 2014, from \$273.0 million (29% of net sales) for the same period in 2013. Sales and marketing expenses are primarily associated with personnel, commissions, advertising, trade shows, publications, freight and logistics expenses and other promotional expenses. We anticipate that sales and marketing costs will continue to increase along with new product introductions and growth in sales of our products.

**General and Administrative, Restructuring, Integration and Other Costs**

General and administrative, restructuring, integration and other costs were \$30.1 million (9% of net sales) in the third quarter of 2014 as compared to \$40.8 million (13% of net sales) in the third quarter of 2013. During the nine-month period ended September 30, 2014, we recorded general and administrative, restructuring, integration and other costs of \$84.9 million (9% of net sales), compared to \$148.9 million (16% of net sales) for the same period in 2013. The net decrease includes \$61.5 million in restructuring costs in the nine months ended September 30, 2013 related to internal restructuring of subsidiaries, including severance and retention costs, plus costs in connection with our acquisitions. This includes fixed and intangible asset impairment charges of \$11.8 million. The restructuring costs primarily relate to a project we began in late 2011 to enhance productivity by streamlining the organization and reallocating resources to strategic initiatives to help drive growth and innovation, strengthen our industry leadership position and improve longer-term profitability. This project eliminated organizational layers and overlapping structures, actions that will enhance our processes, speed and productivity. In connection with the integration of the acquired companies, we aim to improve efficiency in general and administrative operations. As we further integrate the acquired companies and pursue other opportunities to gain efficiencies, we expect to continue to incur additional business integration costs in 2014. Over time, we believe the integration and restructuring activities will reduce expenses as we improve efficiency in operations.

**Acquisition-Related Intangible Amortization**

Amortization expense related to developed technology and patent and license rights acquired in a business combination is included in cost of sales. Amortization of trademarks, customer base and noncompete agreements acquired in a business combination is recorded in operating expense under the caption "acquisition-related intangible



amortization.” Amortization expenses of intangible assets not acquired in a business combination are recorded within cost of sales, research and development, or sales and marketing based on the use of the asset.

During the third quarter ended September 30, 2014, the amortization expense on acquisition-related intangibles within operating expense increased to \$9.3 million compared to \$9.0 million the same period of 2013. We expect that our acquisition-related intangible amortization will increase as a result of future acquisitions.

During the nine-month period ended September 30, 2014, we recorded amortization expense on acquisition-related intangibles within operating expense of \$28.0 million, compared to \$26.1 million for the same period in 2013.

Other Income (Expense), net

Table of Contents

Total other expense was \$12.8 million and \$35.8 million in the three- and nine-month periods ended September 30, 2014, respectively, compared to \$4.1 million and \$22.9 million in the same periods of 2013, respectively. Total other expense, net is primarily the result of interest expense and losses on foreign currency transactions partially offset by interest income and gains on foreign currency transactions. Additionally, for the three- and nine-month periods ended September 30, 2014, we recorded an impairment of \$4.8 million to a cost method investment in other expense, net. Also, year to date, included in other expense, net is a \$4.6 million loss recognized on the redemption of the \$300 million loan payable to and subscription right with Euro Finance as discussed more fully in Note 9, "Debt". Interest expense increased to \$10.8 million and \$29.4 million in the three- and nine-month periods ended September 30, 2014, respectively, compared to \$7.5 million and \$23.0 million in the same periods of 2013, respectively. Interest costs primarily relate to debt, discussed in Note 9 in the accompanying notes to the condensed consolidated financial statements. Interest expense increased primarily as a result of the issuance of the Cash Convertible Notes in March 2014, partially offset by the repayment of the \$300.0 million 2006 Notes during March 2014 as discussed in Note 9.

For the three-month period ended September 30, 2014 and 2013, interest income was \$0.9 million and \$0.6 million. For the nine-month period ended September 30, 2014, interest income increased to \$2.8 million from \$1.8 million in the same period 2013. Interest income primarily reflects the changes in our cash and short-term investments and the changing interest rates thereon.

For the three- and nine-month periods ended September 30, 2014, gains on foreign currency transactions totaled \$1.2 million and \$3.0 million compared to gains of \$2.1 million and \$1.1 million in the same period 2013. These gains and losses are due to foreign currency fluctuations.

Provision for Income Taxes

In the third quarters of 2014 and 2013, our effective tax rates were 7.1% and (34.4)%, respectively. For the nine-month periods ended September 30, 2014 and 2013, our effective tax rates were 12.8% and (41.0)%. Our provision for income taxes is based upon the estimated annual effective tax rates. Our operating subsidiaries are exposed to effective tax rates ranging from zero to approximately 42%. Fluctuations in the distribution of pre-tax income (loss) among our operating subsidiaries can lead to fluctuations of the effective tax rate in the consolidated financial statements. However, our negative rates in 2013 are primarily the result of restructuring charges and impairments which are attributable to higher taxed jurisdictions. Income tax expense increased in the third quarter of 2014 compared to 2013, mainly reflecting improved operating results.

Liquidity and Capital Resources

To date, we have funded our business primarily through internally generated funds, debt and private and public sales of equity. Our primary use of cash has been to support continuing operations and our investing activities, including capital expenditure requirements and acquisitions. As of September 30, 2014 and December 31, 2013, we had cash and cash equivalents of \$484.2 million and \$330.3 million, respectively. Cash and cash equivalents are primarily held in U.S. dollars and euros, other than those cash balances maintained in the local currency of subsidiaries to meet local working capital needs. At September 30, 2014, cash and cash equivalents had increased by \$153.9 million from December 31, 2013, primarily due to cash provided by operating activities of \$208.9 million and financing activities of \$230.5 million partially offset by cash used in investing activities of \$280.8 million. As of September 30, 2014 and December 31, 2013, we had working capital of \$831.6 million and \$583.9 million, respectively.

**Operating Activities.** For the nine months ended September 30, 2014 and 2013, we generated net cash from operating activities of \$208.9 million and \$176.8 million, respectively. While net income was \$91.2 million for the nine months ended September 30, 2014, non-cash components in income included \$149.7 million of depreciation and amortization and \$6.0 million of impairments. Operating cash flows include a net decrease in working capital of \$107.3 million, primarily due to increased inventories and payments made in connection with restructuring activities. Because we rely heavily on cash generated from operating activities to fund our business, a decrease in demand for our products, longer collection cycles or significant technological advances of competitors would have a negative impact on our liquidity.

**Investing Activities.** Approximately \$280.8 million of cash was used in investing activities during the nine months ended September 30, 2014, compared to \$237.1 million for the same period in 2013. Investing activities during the

nine months ended September 30, 2014 consisted principally of \$296.2 million for purchases of short-term investments and \$60.3 million paid for purchases of property and equipment, including our ongoing construction projects in the U.S., as well as \$7.2 million paid for intangible assets. Cash paid for acquisitions, net of cash acquired, of \$41.7 million was offset by \$129.8 million from the sale of short-term investments.

In recent years we have expanded of our Hilden, Germany, and Germantown, Maryland, USA facilities. There are two new small-scale expansion projects in Maryland that started in 2014 and are estimated to be completed in 2015. We anticipate being able to fund these expansions with cash generated by operating activities.

Table of Contents

In connection with certain acquisitions, we could be required to make additional contingent cash payments totaling up to \$109.9 million based on the achievement of certain revenue and operating results milestones as follows: \$50.5 million in the remainder of 2014, \$16.0 million in 2015, \$17.2 million in 2016, \$7.0 million in 2017, and \$19.2 million payable in any 12-month period from now through 2029 based on the accomplishment of certain revenue or diagnostic approval targets. Of the \$109.9 million total contingent obligation we have assessed the fair value at September 30, 2014 to be \$4.5 million which is included in accrued and other liabilities as of September 30, 2014.

Financing Activities. Financing activities provided \$230.5 million of cash for the nine months ended September 30, 2014, compared to cash used in financing activities of \$49.8 million for the nine months ended September 30, 2013. The net proceeds from the issuance of the Cash Convertible Notes, including the related cash flow from the purchase of the Call Options and the issuance of the Warrants, were substantially used to fund the redemption of the 2006 Notes and subscription right as discussed in Note 9 "Debt." Additionally, cash used during the nine months ended September 30, 2014 for the \$91.9 million purchase of treasury shares was partially offset by \$10.1 million for the issuance of common shares in connection with our stock plan.

In December 31, 2011, we entered into a €400.0 million syndicated multi-currency revolving credit facility expiring December 2016 of which no amounts were utilized at September 30, 2014. The €400.0 million facility can be utilized in euro, U.K. pound or U.S. dollar and bears interest of 0.8% to 2.35% above three months EURIBOR, or LIBOR in relation to any loan not in euro, and is offered with interest periods of one, two, three, six or twelve months. We have additional credit lines totaling €38.0 million at variable interest rates, of which no amounts were utilized as of September 30, 2014. We also have capital lease obligations, including interest, in the aggregate amount of \$12.4 million, and carry \$1.2 billion of long-term debt, of which \$130.8 million is current as of September 30, 2014.

In March 2014, we issued \$730.0 million aggregate principal amount of Cash Convertible Senior Notes of which \$430.0 million is due in 2019 (2019 Notes) and \$300.0 million is due in 2021 (2021 Notes). We refer to the 2019 Notes and 2021 Notes, collectively as the "Cash Convertible Notes". The aggregate net proceeds of the Cash Convertible Notes was \$681.3 million at September 30, 2014, after payment of the net cost of the Call Spread Overlay described in Note 9, "Debt" and transaction costs. Interest on the Cash Convertible Notes is payable semiannually in arrears on March 19 and September 19 of each year, at rates of 0.375% and 0.875% per annum for the 2019 Notes and 2021 Notes, respectively, commencing on September 19, 2014. The 2019 Notes will mature on March 19, 2019 and the 2021 Notes will mature on March 19, 2021, respectively, unless repurchased or converted in accordance with their terms prior to such date.

We have notes payable, which are the long-term borrowings of the proceeds from the issuances of \$150.0 million senior unsubordinated convertible notes, with a 1.5% coupon due in 2024 through QIAGEN Finance (2004 Notes). The 2004 Notes are convertible into our common shares at a conversion price of \$12.6449, subject to adjustment. In connection with conversions of \$14.9 million of the 2004 Notes, we repaid \$14.5 million of the debt to QIAGEN Finance. At September 30, 2014, \$130.5 million is included in short-term debt for the amount of the notes payable to QIAGEN Finance. The \$130.5 million note payable has an effective rate of 1.8% and a maturity date of February 2024 but is due on demand in connection with conversions. QIAGEN N.V. has guaranteed the 2004 Notes and has agreements with QIAGEN Finance to issue shares to the note holders in the event of conversion. These subscription rights, along with the related receivable, are recorded at fair value in the equity of QIAGEN N.V. as paid-in capital. In March 2014, we redeemed the \$300 million note and subscription right with QIAGEN Euro Finance for \$372.5 million.

In October 2012, we completed a U.S. private placement through the issuance of new senior unsecured notes at a total amount of \$400 million with a weighted average interest rate of 3.66% (settled on October 16, 2012). The notes were issued in three series: (1) \$73 million 7-year term due in 2019 (3.19%); (2) \$300 million 10-year term due in 2022 (3.75%); and (3) \$27 million 12-year term due in 2024 (3.90%). Approximately EUR 170 million (approximately \$220 million) of proceeds from the notes were used to repay amounts outstanding under our short-term revolving credit facility. The remainder of the proceeds provides additional resources to support QIAGEN's longer-term business expansion.

In 2012, our Supervisory Board approved a program authorizing management to purchase up to a total of \$100 million of our common shares (excluding transaction costs). We completed the share repurchase program in April 2013

having repurchased between October 2012 and April 2013 a total of 5.1 million QIAGEN shares for a total aggregate cost of \$99.0 million (excluding transaction costs).

In 2013, we announced a second share buyback program, to purchase up to another \$100 million of our common shares (excluding transaction costs). We completed the share repurchase program in June 2014 having repurchased between September 2013 and June 2014 a total of approximately 4.5 million QIAGEN shares for a total aggregate cost of \$100.4 million (including performance fees). Repurchased shares will be held in treasury in order to satisfy obligations for exchangeable debt instruments and employee share-based remuneration plans.

In July 2014, we announced the launch of our third \$100 million share repurchase program to purchase up to another \$100 million

## Table of Contents

of our common shares (excluding transaction costs). During the third quarter, 0.6 million QIAGEN shares were repurchased for \$14.2 million.

We expect that cash from financing activities will continue to be impacted by issuances of our common shares in connection with our equity compensation plans and that the market performance of our stock will impact the timing and volume of the issuances. Additionally, we may make future acquisitions or investments requiring cash payments, the issuance of additional equity or debt financing.

We believe that funds from operations, existing cash and cash equivalents, together with the proceeds from our public and private sales of equity, and availability of financing facilities, will be sufficient to fund our planned operations and expansion during the coming year. However, the global economic downturn may have a greater impact on our business than currently expected, and we may experience a decrease in the sales of our products, which could impact our ability to generate cash. The availability of debt financing may be negatively impacted by the global credit crisis. If our future cash flows from operations and other capital resources are not adequate to fund our liquidity needs, we may be required to obtain additional debt or equity financing or to reduce or delay our capital expenditures, acquisitions or research and development projects. If we cannot obtain financing on a timely basis or at satisfactory terms, or implement timely reductions in our expenditures, our business could be adversely affected.

### Quantitative and Qualitative Disclosures about Market Risk

Our market risk relates primarily to interest rate exposures on cash, marketable securities and borrowings and foreign currency exposures on intercompany and third-party transactions. The overall objective of our risk management is to reduce the potential negative earnings effects from changes in interest and foreign currency exchange rates. Exposures are managed through operational methods and financial instruments. We do not use financial instruments for trading or speculative purposes. Our exposure to market risk from changes in interest rates and currency exchange rates has not changed materially from our exposure as discussed in Item 11 of our Annual Report on Form 20-F for the year ended December 31, 2013.

#### Foreign Currency

QIAGEN N.V.'s functional currency is the U.S. dollar and our subsidiaries' functional currencies are generally the local currencies of the respective countries in which they are located. All amounts in the financial statements of entities whose functional currency is not the U.S. dollar are translated into U.S. dollar equivalents at exchange rates as follows: (1) assets and liabilities at period-end rates, (2) income statement accounts at average exchange rates for the period, and (3) components of shareholders' equity at historical rates. Translation gains or losses are recorded in shareholders' equity, and transaction gains and losses are reflected in net income. Foreign currency transactions in the three- and nine-month periods ended September 30, 2014 resulted in \$1.2 million and \$3.0 million net gain, respectively, compared to \$2.1 million and \$1.1 million net gain, in the same periods ended 2013 are included in other expense, net.

#### Derivatives and Hedging

In the ordinary course of business, we use derivative instruments, including swaps, forwards and/or options, to manage potential losses from foreign currency exposures and variable rate debt. The principal objective of such derivative instruments is to minimize the risks and/or costs associated with global financial and operating activities. We do not utilize derivative or other financial instruments for trading or speculative purposes. We recognize all derivatives as either assets or liabilities on the balance sheet, measure those instruments at fair value and recognize the change in fair value in earnings in the period of change, unless the derivative qualifies as an effective hedge that offsets certain exposures. In determining fair value, we consider both the counterparty credit risk and our own creditworthiness. To determine our own credit risk, we estimated our own credit rating by benchmarking the price of our outstanding debt to publicly-available comparable data from rated companies. Using the estimated rating, we quantify our credit risk by reference to publicly-traded debt with a corresponding rating.

**Foreign Currency Derivatives.** As a globally active enterprise, we are subject to risks associated with fluctuations in foreign currencies in our ordinary operations. This includes foreign currency-denominated receivables, payables, debt, and other balance sheet positions including intercompany items. We manage our balance sheet exposure on a group-wide basis using foreign exchange options and cross-currency swaps.

We also make use of economic hedges. Further details of our derivative and hedging activities can be found in Note 7 to the accompanying condensed consolidated financial statements.

#### Recent Authoritative Pronouncements

For information on recent accounting pronouncements impacting our business, see Note 2 to the accompanying condensed consolidated financial statements.

#### Application of Critical Accounting Policies, Judgments and Estimates

## Table of Contents

The preparation of our financial statements in accordance with accounting principles generally accepted in the United States requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Critical accounting policies are those that require the most complex or subjective judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. Thus, to the extent that actual events differ from management's estimates and assumptions, there could be a material impact on the financial statements. In applying our critical accounting policies, at times we used accounting estimates that either required us to make assumptions about matters that were highly uncertain at the time the estimate was made or were reasonably likely to change from period to period, having a material impact on the presentation of our results of operations, financial position or cash flows. Our critical accounting policies are those related to revenue recognition, share-based compensation, income taxes, investments, variable interest entities, goodwill and other intangible assets, purchase price allocation and fair value measurements.

Our critical accounting policies are discussed further in Item 5 of our Annual Report on Form 20-F for the year ended December 31, 2013. Actual results in these areas could differ from management's estimates. There have been no significant changes in our critical accounting policies during 2014.

### Off-Balance Sheet Arrangements

Other than our arrangements with QIAGEN Finance and Euro Finance as discussed above and in Notes 9 and 16 to the accompanying condensed consolidated financial statements, we did not use special purpose entities and did not have off-balance-sheet financing arrangements as of September 30, 2014 and December 31, 2013.

### Contractual Obligations

There were no material changes at September 30, 2014 from the contractual obligations disclosed in Item 5 of our Annual Report on Form 20-F for the year ended December 31, 2013 other than the issuance of the Cash Convertible Notes as described in Note 9 in the accompanying Notes to Consolidated Financial Statements.

### Legal Proceedings

For information on legal proceedings, see Note 14 to the accompanying condensed consolidated financial statements. While no assurances can be given regarding the outcome of the proceedings described in Note 14, based on information currently available, we believe that the resolution of these matters is unlikely to have a material adverse effect on our financial position or results of future operations for QIAGEN N.V. as a whole. However, because of the nature and inherent uncertainties of litigation, should the outcomes be unfavorable, certain aspects of our business, financial condition, and results of operations and cash flows could be materially adversely affected.

### Risk Factors

Material risks that may affect our results of operations and financial position appear in Part 1, Item 3 "Key Information" of the 2013 Annual Report on Form 20-F for the year ended December 31, 2013. There have been no material changes from the risk factors disclosed in Item 3 of our Form 20-F other than those described below. The accounting for the Cash Convertible Notes will result in our having to recognize interest expense significantly greater than the stated interest rate of the notes and may result in volatility to our Consolidated Statements of Operations.

We will settle any conversions of the Cash Convertible Notes entirely in cash. Accordingly, the conversion option that is part of the Cash Convertible Notes will be accounted for as a derivative pursuant to accounting standards relating to derivative instruments and hedging activities. Refer to Note 7, "Derivatives and Hedging," of the Notes to Consolidated Financial Statements in. In general, this resulted in an initial valuation of the conversion option separate from the debt component of the Cash Convertible Notes, resulting in an original issue discount. The original issue discount will be accreted to interest expense over the term of the Cash Convertible Notes, which will result in an effective interest rate reported in our financial statements significantly in excess of the stated coupon rates of the Cash Convertible Notes. This accounting treatment will reduce our earnings. For each financial statement period after the issuance of the Cash



Convertible Notes, a gain (or loss) will be reported in our financial statements to the extent the valuation of the conversion option changes from the previous period. The Call Options will also be accounted for as derivative instruments, substantially offsetting the gain (or loss) associated with changes to the valuation of the conversion option. This may result in increased volatility to our results of operations.

The cash convertible note hedge and warrant transactions we entered into in connection with the issuance of our Cash Convertible Notes may not provide the benefits we anticipate, and may have a dilutive effect on our common stock.

Table of Contents

Concurrently with the issuance of the Cash Convertible Notes, we entered into Call Options and issued Warrants. We entered into the Call Options with the expectation that they would offset potential cash payments by us in excess of the principal amount of the Cash Convertible Notes upon conversion of the Cash Convertible Notes. In the event that the hedge counterparties fail to deliver potential cash payments to us, as required under the Call Options, we would not receive the benefit of such transaction. Separately, we also issued Warrants. The Warrants could separately have a dilutive effect to the extent that the market price per share of our common stock, as measured under the terms of the Warrants, exceeds the strike price of the Warrants.

---