

QIAGEN NV
Form 6-K
August 12, 2010
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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 June 30, 2010

Commission File Number 0-28564

QIAGEN N.V.

Spoorstraat 50

5911 KJ Venlo

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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- .

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QIAGEN N.V.

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OTHER INFORMATION

For the three and six month periods ended June 30, 2010, 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.

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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: August 11, 2010

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EXHIBIT INDEX

Exhibit

No.	Exhibit
99.1	U.S. GAAP Quarterly Report for the Period Ended June 30, 2010

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Exhibit 99.1

QIAGEN N.V. AND SUBSIDIARIES

U.S. GAAP QUARTERLY REPORT FOR THE PERIOD ENDED JUNE 30, 2010

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QIAGEN N.V. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	June 30, 2010 (unaudited)	December 31, 2009
Assets		
Current Assets:		
Cash and cash equivalents	\$ 844,209	\$ 825,557
Short-term investments, stated at market value	74,000	40,000
Accounts receivable, net of allowance for doubtful accounts of \$3,706 and \$3,402 in 2010 and 2009, respectively	189,958	193,737
Income taxes receivable	14,714	12,907
Inventories, net	117,808	130,851
Prepaid expenses and other	80,456	96,893
Deferred income taxes	31,605	33,525
 Total current assets	 1,352,750	 1,333,470
 Long-Term Assets:		
Property, plant and equipment, net	303,381	317,467
Goodwill	1,316,955	1,337,064
Intangible assets, net of accumulated amortization of \$256,364 and \$219,731 in 2010 and 2009, respectively	713,664	752,296
Deferred income taxes	29,202	26,387
Other assets	51,833	29,780
 Total long-term assets	 2,415,035	 2,462,994
 Total assets	 \$ 3,767,785	 \$ 3,796,464

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

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QIAGEN N.V. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except par value)

	June 30, 2010 (unaudited)	December 31, 2009
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 49,007	\$ 43,775
Accrued and other liabilities (of which \$6,239 and \$6,296 due to related parties in 2010 and 2009, respectively, see Note 16)	188,653	248,699
Income taxes payable	13,672	10,727
Current portion of long-term debt	50,977	50,000
Current portion of capital lease obligations	3,346	3,417
Deferred income taxes	16,356	18,912
Total current liabilities	322,011	375,530
Long-Term Liabilities:		
Long-term debt (of which \$445,000 in 2010 and 2009 due to related parties, see Note 8)	871,783	870,000
Capital lease obligations, net of current portion	24,353	27,554
Deferred income taxes	201,877	212,690
Other liabilities	13,218	19,521
Total long-term liabilities	1,111,231	1,129,765
Commitments and Contingencies (see Note 14)		
Shareholders' 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 and outstanding 232,703 and 232,074 shares in 2010 and 2009, respectively	2,720	2,711
Additional paid-in capital	1,637,656	1,622,733
Retained earnings	687,112	615,579
Accumulated other comprehensive income	7,055	50,146
Total shareholders' equity	2,334,543	2,291,169
Total liabilities and shareholders' equity	\$ 3,767,785	\$ 3,796,464

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)**

	Three Months Ended June 30,	
	2010	2009
	(unaudited)	
Net sales	\$ 262,718	\$ 240,156
Cost of sales	89,912	80,656
Gross profit	172,806	159,500
Operating Expenses:		
Research and development	29,423	24,950
Sales and marketing	66,255	59,039
General and administrative, integration and other	28,438	24,618
Acquisition-related intangible amortization	5,840	4,011
Total operating expenses	129,956	112,618
Income from operations	42,850	46,882
Other Income (Expense):		
Interest income	1,501	678
Interest expense	(7,669)	(7,302)
Other income, net	2,858	778
Total other expense	(3,310)	(5,846)
Income before provision for income taxes	39,540	41,036
Provision for income taxes	1,020	10,107
Net income	\$ 38,520	\$ 30,929
Basic net income per common share	\$ 0.17	\$ 0.16
Diluted net income per common share	\$ 0.16	\$ 0.15

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)**

	Six Months Ended June 30,	
	2010	2009
	(unaudited)	
Net sales	\$ 527,082	\$ 461,089
Cost of sales	181,064	155,140
Gross profit	346,018	305,949
Operating Expenses:		
Research and development	61,021	50,593
Sales and marketing	130,690	115,137
General and administrative, integration and other	54,778	48,406
Acquisition-related intangible amortization	11,998	7,902
Total operating expenses	258,487	222,038
Income from operations	87,531	83,911
Other Income (Expense):		
Interest income	2,190	1,863
Interest expense	(13,923)	(14,732)
Other income, net	5,093	2,558
Total other expense	(6,640)	(10,311)
Income before provision for income taxes	80,891	73,600
Provision for income taxes	9,358	17,987
Net income	\$ 71,533	\$ 55,613
Basic net income per common share	\$ 0.31	\$ 0.28
Diluted net income per common share	\$ 0.30	\$ 0.27

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****(in thousands, unaudited)**

	Three Months Ended June 30,	
	2010	2009
Net income	\$ 38,520	\$ 30,929
Unrealized gain (loss) on hedging contracts	17,288	(11,584)
Realized (gain) loss on hedging contracts	(14,569)	10,805
Foreign currency translation (loss) gain adjustments	(26,531)	34,689
Deferred taxes recognized directly in equity	596	(3,461)
Total comprehensive income, net of tax	\$ 15,304	\$ 61,378

	Six Months Ended June 30,	
	2010	2009
Net income	\$ 71,533	\$ 55,613
Unrealized gain (loss) on hedging contracts	28,035	(5,331)
Realized (gain) loss on hedging contracts	(24,770)	304
Foreign currency translation (loss) gain adjustments	(47,570)	15,869
Deferred taxes recognized directly in equity	1,214	(1,498)
Total comprehensive income, net of tax	\$ 28,442	\$ 64,957

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)

	Common Shares		Additional Paid-In	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Capital			
BALANCE AT DECEMBER 31, 2009	232,074	\$ 2,711	\$ 1,622,733	\$ 615,579	\$ 50,146	\$ 2,291,169
Net income				71,533		71,533
Proceeds from subscription receivables			490			490
Unrealized gain, net on hedging contracts					19,498	19,498
Realized (gain), net on hedging contracts					(17,375)	(17,375)
Translation adjustment, net					(45,214)	(45,214)
Issuance of common shares in connection with stock plan	629	9	6,589			6,598
Share-based compensation			6,308			6,308
Tax benefit of employee stock plans			1,536			1,536
BALANCE AT JUNE 30, 2010	232,703	\$ 2,720	\$ 1,637,656	\$ 687,112	\$ 7,055	\$ 2,334,543

	Common Shares		Additional Paid-In	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Capital			
BALANCE AT DECEMBER 31, 2008	197,839	\$ 2,212	\$ 958,665	\$ 477,812	\$ 15,155	\$ 1,453,844
Net income				55,613		55,613
Proceeds from subscription receivables			479			479
Unrealized (loss), net on hedging contracts					(3,735)	(3,735)
Realized loss, net on hedging contracts					213	213
Translation adjustment, net					12,836	12,836
Issuance of common shares in connection with stock plan	1,158	16	11,473			11,489
Stock issued from conversion of warrants			1			1
Share-based compensation			5,003			5,003
Tax benefit of employee stock plans			(1,129)			(1,129)
BALANCE AT JUNE 30, 2009	198,997	\$ 2,228	\$ 974,492	\$ 533,425	\$ 24,469	\$ 1,534,614

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)**

	Six Months Ended June 30,	
	2010	2009
	(unaudited)	
Cash Flows From Operating Activities:		
Net income	\$ 71,533	\$ 55,613
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of businesses acquired:		
Depreciation and amortization	26,431	22,130
Amortization of purchased intangible assets	42,350	34,079
Share-based compensation:		
Share-based compensation expense	6,308	5,003
Excess tax benefits from share-based compensation	(1,536)	(1,450)
Deferred income taxes	(15,578)	(19,029)
Other	(514)	1,742
Net changes in operating assets and liabilities:		
Accounts receivable	(5,613)	(6,677)
Inventories	967	(10,605)
Accounts payable	6,589	(9,930)
Accrued and other liabilities	(51,831)	(1,024)
Other	(2,626)	17,595
Net cash provided by operating activities	76,480	87,447
Cash Flows From Investing Activities:		
Purchases of property, plant and equipment	(35,382)	(22,816)
Proceeds from sale of equipment	1,348	78
Purchases of intangible assets	(25,802)	(3,844)
Purchases of short-term investments	(74,000)	
Sale of short-term investments	40,000	
Proceeds from sale of investment in privately held company	14,925	
Cash paid for acquisitions, net of cash acquired	(25,005)	(3,884)
Net cash used in investing activities	(103,916)	(30,466)
Cash Flows From Financing Activities:		
Principal payments on capital leases	(1,631)	(1,420)
Proceeds from long-term debt	3,016	
Proceeds from subscription receivables	490	479
Excess tax benefits from share-based compensation	1,536	1,450
Issuance of common shares	6,598	11,489
Other financing activities	124	(115)
Net cash provided by financing activities	10,133	11,883
Effect of exchange rate changes on cash and cash equivalents	35,955	(11,866)
Net increase in cash and cash equivalents	18,652	56,998

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Cash and cash equivalents, beginning of period	825,557	333,313
Cash and cash equivalents, end of period	\$ 844,209	\$ 390,311

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

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QIAGEN N.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Basis of Presentation

The condensed consolidated financial statements include the accounts of QIAGEN N.V. (the Company), a company incorporated in The Netherlands, and its wholly-owned subsidiaries that are not considered variable interest entities. All significant intercompany accounts and transactions have been eliminated. All amounts are presented in U.S. dollars, unless otherwise indicated. Investments in companies where the Company exercises significant influence over the operations but does not have control, and where the Company is not the primary beneficiary, are accounted for using the equity method. All other investments are accounted for under the cost method.

In the opinion of management and subject to the year-end audit, 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.

In connection with recent acquisitions and internal restructurings, the Company has determined it operates as one operating segment in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 280, *Segment Reporting*. The Company's chief operating decision maker (CODM) makes decisions based on the Company as a whole. In addition, the Company shares the common basis of organization and types of products and services which derive revenues and consistent product margins. Accordingly, the Company operates and makes 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, 2009.

2. Recent Accounting Pronouncements

Adoption of New Accounting Standards

In January 2010, the FASB has issued Accounting Standards Update (ASU) No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement. The FASB's objective is to improve these disclosures and, thus, increase the transparency in financial reporting. Specifically, ASU 2010-06 amends Codification Subtopic 820-10 to now require a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and in the reconciliation for fair value measurements using significant unobservable inputs, a reporting entity should present separately information about purchases, sales, issuances, and settlements. In addition, ASU 2010-06 clarifies the requirements for previously required disclosures. For purposes of reporting fair value measurement for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities; and a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009. The Company adopted these updates in 2010 without any impact.

In February 2010, the FASB has issued ASU 2010-10, *Consolidation (Topic 810): Amendments for Certain Investment Funds*. The amendments in the ASU defer the effective date of certain amendments to the consolidation requirements of ASC Topic 810, *Consolidation*, resulting from the issuance of FASB Accounting Standard No. 167, *Amendments to FASB Interpretation 46(R)*. Specifically, the amendments to the consolidation requirements of Topic 810 resulting from the issuance of Statement 167 are deferred for a reporting entity's interest in an entity that has all the attributes of an investment company; or for which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies. The ASU does not defer the disclosure requirements in the Statement 167 amendments to Topic 810. The amendments in this ASU are effective as of the beginning of a reporting entity's first annual period that begins after November 15, 2009, and for interim periods within that first annual reporting period. Early application is not permitted. The Company adopted these updates in 2010 without any impact.

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In February 2010, the FASB issued ASU No. 2010-09, *Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements*. The amendments in the ASU remove the requirement to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. The guidance in the ASU was effective immediately for all financial statements that have not yet been issued or have not yet become available to be issued, except for guidance related to the date through which conduit bond obligors should evaluate subsequent events (i.e., the date the financial statements were issued). The Company adopted these updates in 2010 without any impact.

In February 2010, the FASB issued ASU No. 2010-08, *Technical Corrections to Various Topics*. The ASU is the result of the FASB's review of its standards to determine if any provisions are outdated, contain inconsistencies, or need clarifications to reflect the FASB's original intent. The FASB believes the amendments do not fundamentally change U.S. GAAP. However, certain clarifications on embedded derivatives and hedging (Subtopic 815-15) may cause a change in the application of that Subtopic and special transition provisions are provided for those amendments. The ASU contains various effective dates. The clarifications of the guidance on embedded derivatives and hedging (Subtopic 815-15) are effective for fiscal years beginning after December 15, 2009. The amendments to the guidance on accounting for income taxes in a reorganization (Subtopic 852-740) apply to reorganizations for which the date of the reorganization is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. All other amendments are effective as of the first reporting period (including interim periods) beginning after the date this ASU was issued. The Company adopted the update in 2010 without any impact.

Recently Issued Accounting Standards

In April 2010, the FASB issued ASU No. 2010-17, *Revenue Recognition - Milestone Method (Topic 605): Milestone Method of Revenue Recognition*. The ASU codifies the consensus reached in Emerging Issues Task Force Issue No. 08-9, *Milestone Method of Revenue Recognition*. The amendments provide guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. Consideration that is contingent on achievement of a milestone in its entirety may be recognized as revenue in the period in which the milestone is achieved only if the milestone is judged to meet certain criteria to be considered substantive. Milestones should be considered substantive in their entirety and may not be bifurcated. An arrangement may contain both substantive and nonsubstantive milestones, and each milestone should be evaluated individually to determine if it is substantive. The amendments in the ASU are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. If a vendor elects early adoption and the period of adoption is not the beginning of the entity's fiscal year, the entity should apply the amendments retrospectively from the beginning of the year of adoption. The Company is evaluating the effect that adoption of this update will have, if any, on the consolidated financial position and results of operations.

In April 2010, the FASB issued ASU No. 2010-12, *Income Taxes (Topic 740)*. This Update codifies an SEC Staff Announcement relating to accounting for the Health Care and Education Reconciliation Act of 2010 and the Patient Protection and Affordable Care Act. On March 30, 2010, the U.S. President signed the Health Care and Education Reconciliation Act of 2010, which is a reconciliation bill that amends the Patient Protection and Affordable Care Act that was signed by the President on March 23, 2010 (collectively, the "Acts"). Questions had arisen about the effect, if any, of the two different signing dates. The SEC has concluded that the two Acts, when taken together, represent the current health care reforms as passed by U.S. Congress and signed by the U.S. President and therefore would not object to the view that the two Acts should be considered together for accounting purposes. As a result of the Acts, a 2.3% excise tax will be imposed on the sale, including leases, of any taxable medical devices by the manufacturer, producer or importer of such devices. A "taxable medical device" is any FDA regulated device intended for human use. The excise tax will apply to the sales of all taxable medical devices occurring in the U.S. after December 31, 2012. While the Company continues to evaluate the impact of the Acts, at the present time, the Company expects a net positive impact from the legislation due to the expected increase in net sales resulting from increased health coverage, which will be partially offset by the excise tax.

In October 2009, the FASB issued new authoritative guidance regarding *Revenue Recognition - Multiple Deliverable Revenue Arrangements*. This update provides amendments for separating consideration in multiple deliverable arrangements and removes the objective-and-reliable-evidence-of-fair-value criterion from the separation criteria used to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, replaces references to "fair value" with "selling price" to distinguish from the fair value measurements required under the *Fair Value Measurements and Disclosures* guidance, provides a hierarchy that entities must use to estimate the selling price, eliminates the use of the residual method for allocation, and expands the ongoing disclosure requirements. This update is effective for the Company beginning January 1, 2011. The Company is evaluating the effect that adoption of this update will have, if any, on the consolidated financial position and results of operations.

Table of Contents**3. Share-Based Payments**

The Company issues share-based awards under the QIAGEN N.V. Amended and Restated 2005 Stock Plan. The Company had approximately 14.6 million common shares reserved and available for issuance under this Plan at June 30, 2010. In connection with the acquisition of Digene Corporation in the third quarter of 2007, the Company assumed three additional equity incentive plans. No new grants will be made under these plans, and a total of 5.0 million common shares of the Company had been reserved for issuances under these plans of which 0.4 million shares remain reserved and available for issuance as of June 30, 2010.

Stock Options

Generally, granted stock options vest over a three-year period. To date, the exercise price of all granted options has been set at the closing market price on the grant date or a premium above the closing market price on the grant date. The Company utilizes the Black-Scholes-Merton valuation model for estimating the fair value of its granted stock options. The Company estimates the forfeiture rate based on historical forfeiture experience. For 2010, the estimated weighted average forfeiture rate was 7.2%. During the three and six month periods ended June 30, 2010, the Company granted options to purchase 223,867 and 487,327 common shares, respectively. During the three and six month periods ended June 30, 2009, the Company granted options to purchase 195,342 and 484,314 common shares, respectively. Following are the weighted average assumptions used in valuing the stock options granted to employees during the three and six month periods ended June 30, 2010 and 2009:

	Three Months Ended June 30,	
	2010	2009
Stock price volatility	31.57%	38.15%
Risk-free interest rate	2.02%	2.30%
Expected life (in years)	4.58	4.79
Dividend rate	0%	0%

	Six Months Ended June 30,	
	2010	2009
Stock price volatility	31.12%	40.40%
Risk-free interest rate	2.26%	2.13%
Expected life (in years)	4.92	5.01
Dividend rate	0%	0%

A summary of the status of the Company's employee stock options as of June 30, 2010 and changes during the six months then ended is presented below:

Stock Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value (Thousands)
Outstanding at December 31, 2009	8,281,559	\$ 14.743		
Granted	487,327	\$ 21.708		
Exercised	(542,316)	\$ 12.619		
Forfeited and cancelled	(428,828)	\$ 34.747		
Outstanding at June 30, 2010	7,797,742	\$ 14.226	4.13	\$ 46,011
Exercisable at June 30, 2010	6,850,625	\$ 13.434	3.43	\$ 45,210
Vested and expected to vest at June 30, 2010	7,706,586	\$ 14.155	4.06	\$ 45,974

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The weighted average grant-date fair value of options granted during the three and six months ended June 30, 2010 was \$6.30 and \$6.60, respectively. For the three and six months ended June 30, 2010, options to purchase 282,227 and 542,316 common shares, respectively, were exercised. The total intrinsic value of options exercised during the three and six months ended June 30, 2010 was \$2.6 million and \$5.2 million, respectively. The weighted average grant-date fair value of options granted during the three and six months ended June 30, 2009 was \$6.35 and \$6.33, respectively. For the three and six months ended June 30, 2009, options to purchase 686,159 and 1,122,995 common shares, respectively, were exercised. The total intrinsic value of options exercised during the three and six months ended June 30, 2009 was \$5.0 million and \$7.6 million, respectively.

The unrecognized share-based compensation expense related to employee stock option awards was approximately \$4.7 million as of June 30, 2010 and is expected to be recognized over a weighted average period of approximately 2.14 years.

Restricted Stock Units

Restricted stock units represent rights to receive common shares at a future date. There is no exercise price and no monetary payment is required for receipt of restricted stock units or the shares issued in settlement of the award. Generally, restricted stock units vest over a ten-year period. The fair market value at the time of the grant is amortized to expense on a ratable basis over the period of vesting. The fair market value is determined based on the number of restricted stock units granted and the market value of the Company's shares on the grant date. For 2010, pre-vesting forfeitures were estimated to be approximately 7.2%. At June 30, 2010, there was \$54.7 million remaining in unrecognized compensation cost related to these awards, which is expected to be recognized over a weighted average period of 8.69 years. The weighted average grant date fair value of restricted stock units granted during the second quarter of 2010 was \$21.08.

A summary of the Company's restricted stock units as of June 30, 2010 is presented below:

Restricted Stock Units	Restricted Stock Units	Weighted Average Contractual Term	Aggregate Intrinsic Value (Thousands)
Outstanding at December 31, 2009	3,039,157		
Granted	1,475,663		
Released	(108,762)		
Forfeited and cancelled	(26,231)		
Outstanding at June 30, 2010	4,379,827	3.53	\$ 84,180
Vested and expected to vest at June 30, 2010	3,506,568	3.43	\$ 67,396

Compensation Expense

Total share-based compensation expense for the three and six months ended June 30, 2010 and 2009 is comprised of the following:

Compensation Expense (in thousands)	Three Months Ended June 30,	
	2010	2009
Cost of sales	\$ 276	\$ 245
Research and development	616	528
Sales and marketing	817	675
General and administrative, integration and other	2,019	1,366
Share-based compensation expense before taxes	3,728	2,814
Less: income tax benefit	1,090	866

Net share-based compensation expense	\$ 2,638	\$ 1,948
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	Six Months Ended June 30,	
	2010	2009
Compensation Expense (in thousands)		
Cost of sales	\$ 450	\$ 454
Research and development	983	968
Sales and marketing	1,339	1,205
General and administrative, integration and other	3,536	2,376
Share-based compensation expense before taxes	6,308	5,003
Less: income tax benefit	1,831	1,551
Net share-based compensation expense	\$ 4,477	\$ 3,452

No compensation cost was capitalized in inventory in 2010 or 2009 as the amounts were not material.

4. Net Income Per Common Share

Net income per common share for the three and six months ended June 30, 2010 and 2009 is based on the weighted average number of common shares outstanding and the dilutive effect of stock options outstanding.

The following schedule summarizes the information used to compute net income per common share:

	Three Months Ended June 30,	
	2010	2009
(in thousands)		
Weighted average number of common shares used to compute basic net income per common share	232,579	198,668
Dilutive effect of warrants	5,999	2,845
Dilutive effect of stock options and restricted stock units	3,058	2,272
Weighted average number of common shares used to compute diluted net income per common share	241,636	203,785
Outstanding options and awards having no dilutive effect, not included in above calculation	1,146	3,501
Outstanding warrants having no dilutive effect, not included in above calculation	20,468	23,621
	Six Months Ended June 30,	
	2010	2009
(in thousands)		
Weighted average number of common shares used to compute basic net income per common share	232,394	198,386
Dilutive effect of warrants	6,267	2,805
Dilutive effect of stock options and restricted stock units	3,119	2,285
Weighted average number of common shares used to compute diluted net income per common share	241,780	203,476
Outstanding options and awards having no dilutive effect, not included in above calculation	1,068	3,551
Outstanding warrants having no dilutive effect, not included in above calculation	20,200	23,662

Table of Contents**5. Acquisitions*****2010 Acquisitions***

In January 2010, the Company acquired 100% of the shares of ESE GmbH, a privately held developer and manufacturer of UV and fluorescence optical measurement devices. ESE is based in Stockach, Germany. ESE has pioneered the development and manufacturing of optical measurement systems for medical and industrial applications. The systems utilize unique, high-performance and award-winning fluorescence detection technologies integrated into compact modules. The Company has demonstrated that ESE's fluorescence detection systems can be used to measure signals generated by the Company's existing testing technologies, including the HDA and tHDA isothermal assay systems. Upon closing of the transaction, an upfront payment of EUR 9.4 million (approximately \$13.5 million) was paid to the sellers, and an amount of EUR 2.0 million is retained in an escrow account to cover any claims for breach of any representations, warranties or indemnities. Furthermore, the Share Purchase Agreement provides for potential milestone payments depending on the accomplishment of revenue targets for the years 2011 to 2013 in the total amount of EUR 3.3 million (approximately \$4.0 million at June 30, 2010).

In April 2010, the Company acquired the food market business of IFP, a Berlin based company which sells food, veterinary and environmental quality control assays. The transaction was an asset purchase of primarily patents, know-how, intellectual property rights and customer data related to the business. The Company and IFP have entered into license and contract manufacturing agreements under which IFP will perform the production for QIAGEN. Upon closing of the transaction, an upfront payment of \$8.3 million was paid to IFP. Another portion of the upfront payment in the amount of \$0.7 million is due after the signing of the contract manufacturing and collaboration agreements. Furthermore, the Asset Purchase Agreement includes potential milestone payments related to the market introduction of new products of up to \$1.0 million and depending on the accomplishment of revenue targets for a five-year timeframe of up to \$2.4 million.

6. Investments and Variable Interest Entities

Investments The Company has 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 extent of the Company's influence. The Company monitors changes in circumstances that may require a reassessment of the level of influence. The Company periodically reviews the carrying value of these investments for impairment, considering factors such as the most recent stock transactions and book values from the financial statements. The fair value of cost-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.

Variable Interest Entities 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 have 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. The Company has a 50% interest in a joint venture company, PreAnalytiX GmbH, for which the Company is 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, the Company's maximum exposure to loss as a result of its involvement with PreAnalytiX is limited to the Company's share of losses from the equity method investment itself.

The Company also has 100% interest in two entities established for the purpose of issuing convertible debt. These entities are discussed in Note 8 below.

7. Derivatives and Hedging and Fair Value Measurements***Derivatives and Hedging***

In the ordinary course of business, the Company uses 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. The Company does not utilize derivative or other financial instruments for trading or other speculative purposes. The Company recognizes all derivatives as either assets or liabilities on the balance sheet, measures those instruments at fair value and recognizes the change in fair value in earnings in the period of change, unless the derivative qualifies as an effective hedge that offsets certain exposures.

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As of June 30, 2010, all derivatives that qualify for hedge accounting are cash-flow hedges. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. In 2010, the Company did not record any hedge ineffectiveness related to any cash-flow hedges in income (expense) and did not discontinue any cash-flow hedges. Derivatives, including those that are not designated as hedges, are classified in the operating section of the consolidated statements of cash flows, in the same category as the related consolidated balance sheet account.

Foreign Currency Derivatives

As a globally active enterprise, the Company is subject to risks associated with fluctuations in foreign currencies in its ordinary operations. This includes foreign currency-denominated receivables, payables, debt, and other balance sheet positions. The Company manages balance sheet exposure on a group-wide basis primarily using foreign exchange forward contracts and cross-currency swaps.

The Company has foreign currency forward contracts with an aggregate notional amount of \$44.0 million, which have been entered into in connection with the notes payable to QIAGEN Finance (see Note 8) and which qualify for hedge accounting as cash-flow hedges. The Company has determined that no ineffectiveness exists related to these derivatives. However, the differences between spot and forward rates were excluded from the assessment of hedge effectiveness and included in interest income or expense as they effectively constitute the difference in the interest rates of the respective currency pairs. The contracts mature in July 2011 and had fair market values at June 30, 2010 of approximately \$0.6 million and \$0.2 million, which are included in other long-term assets and in other long term liabilities, respectively. As of December 31, 2009, the contracts had a fair market value of \$5.7 million, which is included in other long-term liabilities in the accompanying consolidated balance sheets.

In addition, the Company was party to cross-currency swaps which have been entered into in connection with the notes payable to Euro Finance (see Note 8) and which qualified as cash-flow hedges with a notional amount of \$120.0 million as of June 30, 2010 and December 31, 2009, which mature in November 2012 and had fair market values of \$5.6 million, included in other long-term assets at June 30, 2010, and \$16.7 million, included in other long-term liabilities at December 31, 2009 in the accompanying consolidated balance sheets, respectively.

Undesignated Derivative Instruments

The Company is party to various foreign exchange forward and swap arrangements which had, at June 30, 2010, an aggregate notional value of approximately \$191.7 million and fair values of \$2.7 million and \$1.1 million, which are included in other assets and other liabilities, respectively, and which expire at various dates through April 2011. 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 income, net.

The Company was party to various foreign exchange forward and swap arrangements which had, at December 31, 2009, an aggregate notional value of approximately \$200.1 million and fair values of \$0.9 million and \$7.7 million, which are included in other assets and other liabilities, respectively, and which expired at various dates through March 2010. The transactions have been used 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 income, net.

Interest Rate Derivatives

The Company uses interest rate derivative contracts on certain borrowing transactions to hedge fluctuating interest rates. The Company has entered into interest rate swaps in which it agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. During 2008, the Company entered into interest rate swaps, which effectively fix the variable interest rates on \$200.0 million of the Company's variable rate debt and qualify for hedge accounting as cash-flow hedges. The Company has determined that no ineffectiveness exists related to these swaps. The swaps mature in October 2010 and 2011, and as of June 30, 2010 had an aggregate fair value of \$4.7 million, of which \$0.8 million is recorded in accrued and other liabilities and \$3.9 million is recorded in other long-term liabilities in the accompanying consolidated balance sheet. As of December 31, 2009, these swaps had an aggregate fair value of \$6.3 million, of which \$2.1 million is recorded in accrued and other liabilities and \$4.2 million is recorded in other long-term liabilities in the accompanying consolidated balance sheet.

Table of Contents*Fair Values of Derivative Instruments*

The following table summarizes the fair value amounts of derivative instruments reported in the consolidated balance sheets as of June 30, 2010 and December 31, 2009:

(in thousands)	Derivatives in Asset		Derivatives in Liability	
	Positions Fair value	Positions Fair value	Positions Fair value	Positions Fair value
	6/30/2010	12/31/2009	6/30/2010	12/31/2009
Derivative instruments designated as hedges				
Interest rate contracts	\$	\$	\$ (4,723)	\$ (6,274)
Foreign exchange contracts	6,286		(243)	(22,495)
 Total derivative instruments designated as hedges	 \$ 6,286	 \$	 \$ (4,966)	 \$ (28,769)
Undesignated derivative instruments				
Foreign exchange contracts	\$ 2,707	\$ 947	\$ (1,141)	\$ (7,690)
 Total derivative instruments	 \$ 8,993	 \$ 947	 \$ (6,107)	 \$ (36,459)

In the accompanying consolidated balance sheets, derivative instruments designated as hedges are included in other long-term liabilities, and undesignated derivative instruments are included in prepaid and other assets and accrued and other liabilities.

Gains and Losses on Derivative Instruments

The following tables summarize the locations and gains on the Company's derivative instruments for the three and six month periods ended June 30, 2010 and 2009:

Three months ended June 30, 2010 (in thousands)	Gain/(loss) recognized in AOCI	Location of (gain) loss in income statement	(Gain) loss reclassified from AOCI into income	Gain recognized in income
Cash-flow hedges				
Interest rate contracts	\$ 1,079	Interest expense	\$	n/a
Foreign exchange contracts	16,210	Other income, net	(14,569)	n/a
 Total	 \$ 17,289		 \$ (14,569)	 n/a
Undesignated derivative instruments				
Foreign exchange contracts	n/a	Other income, net	n/a	\$ 7,627
 Six months ended June 30, 2010 (in thousands)				
Cash-flow hedges				
Interest rate contracts	\$ 1,552	Interest expense	\$	n/a

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Foreign exchange contracts	26,484	Other income, net	(24,770)	n/a
Total	\$ 28,036		\$ (24,770)	n/a

Undesignated derivative instruments

Foreign exchange contracts	n/a	Other income, net	n/a	\$ 15,805
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Three months ended June 30, 2009 (in thousands)	Gain/(loss) recognized in AOCI	Location of (gain) loss in income statement	(Gain) loss reclassified from AOCI into income	Loss recognized in income
Cash-flow hedges				
Interest rate contracts	\$ 1,462	Interest expense	\$	n/a
Foreign exchange contracts	(13,046)	Other income, net	10,805	n/a
Total	\$ (11,584)		\$ 10,805	n/a

Undesignated derivative instruments				
Foreign exchange contracts	n/a	Other income, net	n/a	\$ (5,008)

Six months ended June 30, 2009 (in thousands)	Gain/(loss) recognized in AOCI	Location of (gain) loss in income statement	(Gain) loss reclassified from AOCI into income	Loss recognized in income
Cash-flow hedges				
Interest rate contracts	\$ (131)	Interest expense	\$	n/a
Foreign exchange contracts	(12,071)	Other income, net	7,177	n/a
Total	\$ (12,202)		\$ 7,177	n/a

Undesignated derivative instruments				
Foreign exchange contracts	n/a	Other income, net	n/a	\$ (4,968)

The amounts noted in the table above for accumulated other comprehensive income (AOCI) do not include any adjustment for the impact of deferred income taxes.

Fair Value Measurements

The Company's 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.

The Company's assets and liabilities measured at fair value on a recurring basis consist of short-term investments, which are classified in Level 1 of the fair value hierarchy, and derivative contracts used to hedge currency and interest rate risk, which are classified in Level 2 of the fair value hierarchy and are shown in the table above. In determining fair value for derivative contracts, the Company applies a market approach, using quoted active market prices relevant to the particular contract under valuation, giving consideration to the credit risk of both the respective counterparty to the contract and the Company. To determine the Company's credit risk we estimated the Company's credit rating by benchmarking the price of outstanding debt to publicly-available comparable data from rated companies. Using the estimated rating, the Company's credit risk was quantified by reference to publicly-traded debt with a corresponding rating.

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The following table presents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009:

(in thousands)	As of June 30, 2010				As of December 31, 2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Short-term investments	\$ 74,000	\$	\$	\$ 74,000	\$ 40,000	\$	\$	\$ 40,000
Foreign exchange contracts		8,993		8,993		947		947
	\$ 74,000	\$ 8,993	\$	\$ 82,993	\$ 40,000	\$ 947	\$	\$ 40,947
Liabilities:								
Foreign exchange contracts	\$	\$ 1,384	\$	\$ 1,384	\$	\$ 30,185	\$	\$ 30,185
Interest rate contracts		4,723		4,723		6,274		6,274
	\$	\$ 6,107	\$	\$ 6,107	\$	\$ 36,459	\$	\$ 36,459

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 the Company's long-term debt as disclosed in Note 8 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 quarters ended June 30, 2010 and 2009 for nonfinancial assets or liabilities required to be measured at fair value on a nonrecurring basis.

8. Debt

The Company has six separate lines of credit with aggregate borrowing availability of approximately \$160.1 million with variable interest rates, of which insignificant amounts were utilized at June 30, 2010 and December 31, 2009. At June 30, 2010 and December 31, 2009, total debt was approximately \$922.8 million and \$920.0 million, respectively, \$51.0 million of which was current. Total debt consisted of the following:

(in thousands)	June 30, 2010	December 31, 2009
\$500 million note payable bearing interest at LIBOR plus a variable margin ranging from 0.648% to 0.754%, and 0.631% to 1.068% at June 30, 2010 and December 31, 2009, respectively, due on July 12, 2012	\$ 475,000	\$ 475,000
Notes payable to QIAGEN Euro Finance bearing interest at an effective rate of 3.94% due in November 2012	300,000	300,000
Notes payable to QIAGEN Finance bearing interest at an effective rate of 2.16% due in July 2011	145,000	145,000
R&D-related loan bearing interest at 3.50% due in June 2019 with repayments starting in 2011	2,760	
Total long-term debt	922,760	920,000
Less current portion	50,977	50,000
Long-term portion	\$ 871,783	\$ 870,000

In April 2010, the Company made the first draw down in the amount of \$2.8 million under a loan which can be utilized for up to EUR 12.7 million to finance R&D projects of the Company in Germany. The loan bears interest at 3.5% and is due to be fully repaid by 2019 with repayments starting in 2011.

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During 2007, the Company signed a Syndicated Multi-Currency Term Loan and Revolving Credit Facilities Agreement with Deutsche Bank AG, Deutsche Bank Luxembourg S.A., and the lenders named in the agreement. The lenders made available to the Company a term loan, a bridge loan, which was utilized and repaid in the third quarter of 2007, and a \$150 million revolving credit facility. Under the agreement, the \$500 million term loan will mature in July 2012 with repayment beginning in July 2009. In July 2009 and July 2010, \$25.0 million and \$50.0 million were repaid, respectively. The \$150 million revolving credit facility will expire in July 2012. The proceeds of the debt were loaned to a subsidiary of QIAGEN N.V., and QIAGEN N.V. has guaranteed the debt. The loan agreements contain certain financial and non-financial covenants, including but not limited to, restrictions on the encumbrance of land, restrictions on the transfer of patents to third parties and the maintenance of certain financial ratios. The Company was in compliance with these covenants at June 30, 2010. The fair value of the note payable approximated its carrying value at June 30, 2010.

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In May 2006, the Company completed the offering of the 2006 Notes due in 2026 through an unconsolidated subsidiary, QIAGEN Euro Finance. The net proceeds of the 2006 Notes were loaned by Euro Finance to consolidated subsidiaries of the Company. At June 30, 2010 and December 31, 2009, \$300.0 million is included in long-term debt for the amount of 2006 Note proceeds payable to Euro Finance. These long-term notes payable to Euro Finance have an effective interest rate of 3.94% and are due in November 2012. Interest on the 2006 Notes is payable semi-annually in May and November. The 2006 Notes were issued at 100% of principal value, and are 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. has an agreement with Euro 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. The 2006 Notes cannot be called for the first 7 years and are callable thereafter subject to a provisional call trigger of 130% of the conversion price. In addition, the holders of the 2006 Notes may require QIAGEN to repurchase all or a portion of the outstanding Notes for 100% of the principal amount, plus accrued interest, on May 16, 2013, 2017 and 2022. Based on an estimation using available over-the-counter market information on the convertible bond issued by QIAGEN Euro Finance, the fair value of the 2006 Notes at June 30, 2010 was approximately \$348.4 million. The Company has reserved 15.0 million common shares for issuance in the event of conversion.

In August 2004, the Company completed the sale of the 2004 Notes due in 2024, through its unconsolidated subsidiary QIAGEN Finance. The net proceeds of the 2004 Notes were loaned by QIAGEN Finance to consolidated subsidiaries in the U.S. and Switzerland. At June 30, 2010 and December 31, 2009, \$145.0 million is included in long-term debt for the amount of 2004 Note proceeds payable to QIAGEN Finance. These long-term notes payable to QIAGEN Finance have an effective interest rate of 2.16% and are due in July 2011. Interest on the 2004 Notes 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. The 2004 Notes may be redeemed, in whole or in part, at QIAGEN's option on or after August 18, 2011, at 100% of the principal amount, provided that the actual trading price of the Company's common shares exceeds 120% of the conversion price for twenty consecutive trading days. In addition, the holders of the 2004 Notes may require QIAGEN to repurchase all or a portion of the outstanding 2004 Notes for 100% of the principal amount, plus accrued interest, on August 18, 2011, 2014 and 2019. 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 June 30, 2010 was approximately \$228.8 million. The Company has reserved 11.5 million common shares for issuance in the event of conversion.

9. Inventories

The components of inventories consist of the following as of June 30, 2010 and December 31, 2009:

	December	
	June 30,	31,
(in thousands)	2010	2009
Raw materials	\$ 23,722	\$ 33,172
Work in process	31,449	39,856
Finished goods	62,637	57,823
Total inventories	\$ 117,808	\$ 130,851

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The following sets forth the intangible assets by major asset class as of June 30, 2010 and December 31, 2009:

	June 30, 2010		December 31, 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
(in thousands)				
Amortized Intangible Assets:				
Patent and license rights	\$ 243,208	\$ (74,429)	\$ 246,535	\$ (69,380)
Developed technology	463,863	(129,567)	461,507	(108,374)
Customer base, trademarks and in-process R&D	262,957	(52,368)	263,985	(41,977)
	\$ 970,028	\$ (256,364)	\$ 972,027	\$ (219,731)
Unamortized Intangible Assets:				
Goodwill	\$ 1,316,955		\$ 1,337,064	

The changes in the carrying amount of goodwill for the six months ended June 30, 2010 resulted primarily from foreign currency translation.

For the three and six month periods ended June 30, 2010, amortization expense on intangible assets totaled approximately \$23.4 million and \$46.6 million, compared to \$19.0 million and \$37.5 million for the three and six month periods ended June 30, 2009. Amortization of intangibles for the next five years is expected to be approximately:

(in thousands)	
Year	Annual Amortization
2011	\$ 91,925
2012	\$ 88,006
2013	\$ 86,004
2014	\$ 82,333
2015	\$ 80,467

11. Income Taxes

Fluctuations in the distribution of pre-tax income among the Company's operating subsidiaries can lead to fluctuations of the effective tax rate in the consolidated financial statements. The Company's operating subsidiaries are exposed to effective tax rates ranging from zero to approximately 43%. The provision for income taxes is based upon the estimated annual effective tax rates.

In the second quarters of 2010 and 2009, the effective tax rates were 3% and 24%, respectively. In the six-month periods ended June 30, 2010 and 2009, the effective tax rates were 12% and 24%, respectively. In 2010, an increasing portion of pre-tax income is estimated to be attributable to subsidiaries with lower effective tax rates, as compared to the same period of 2009. The lower estimated annualized effective rate for the period ended June 30, 2010 is primarily related to lower estimated pre-tax income in the U.S. and the substantial impact of discrete events (25%) for the second quarter 2010 as compared to the second quarter 2009 (3.5%). As a result of internal restructuring related to the foreign subsidiaries acquired in a previous acquisition, a one-time deduction for bad debt and worthless stock was realized during the second quarter of 2010 and resulted in a \$12.0 million tax benefit.

The Company assesses uncertain tax positions in accordance with ASC 740-10, *Accounting for Uncertainties in Tax*. At June 30, 2010, the Company's net unrecognized tax benefits totaled approximately \$9.4 million which, if recognized, would favorably affect our effective tax rate in the periods in which they are recognized. It is possible that approximately \$0.7 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.

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The Company conducts business globally and, as a result, files 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, the Company is subject to examination by taxing authorities throughout the world. The Company's tax years since 2001 are open for income tax examinations by tax authorities. Its subsidiaries, with few exceptions, are no longer subject to income tax examinations by tax authorities for years before 2004. The Company has undistributed earnings in foreign subsidiaries. In some jurisdictions, the Company would be subject to tax upon repatriation of those earnings, in the form of dividends or otherwise. For those subsidiaries where the earnings are considered to be permanently reinvested, no provision for taxes has been made. In other cases, the Company has accrued for such taxes. It is not practicable to determine the amount of income tax payable in the event the Company repatriated all of its undistributed foreign earnings.

12. Accumulated Other Comprehensive Income

The following table is a summary of the components of accumulated other comprehensive income as of June 30, 2010 and December 31, 2009:

(in thousands)	June 30, 2010	December 31, 2009
Net unrealized (loss) on hedging contracts, net of tax of \$1.6 million and \$2.7 million in 2010 and 2009, respectively	\$ (3,203)	\$ (5,326)
Net unrealized gain on pension, net of tax of \$50,000 in 2010 and 2009	118	118
Foreign currency effects from intercompany long-term investment transactions, net of tax of \$4.3 million and \$1.9 million in 2010 and 2009, respectively	12,265	7,465
Foreign currency translation adjustments	(2,125)	47,889
Accumulated other comprehensive income	\$ 7,055	\$ 50,146

13. Supplemental Cash Flow Information

Supplemental cash flow information for the six months ended June 30, 2010 and 2009 is as follows:

(in thousands)	Six Months Ended June 30, 2010	2009
Cash paid for:		
Interest	\$ 10,619	\$ 12,593
Income taxes	\$ 16,904	\$ 12,324
Non-cash Activities:		
Equipment purchased through capital lease	\$ 333	\$ 180

14. Commitments and Contingencies***Contingent Acquisition-Related Obligations***

Pursuant to the purchase agreements for certain acquisitions, the Company could be required to make additional contingent cash payments totaling up to \$93.0 million based on the achievement of certain revenue and operating results milestones as follows: \$15.6 million in 2010, \$15.9 million in 2011, \$15.7 million in 2012, and \$45.8 million payable in any 12-month period from now until 2014 based on the accomplishment of certain revenue targets, the launch of certain products or the grant of certain patent rights. Of the \$93.0 million total contingent obligation, approximately \$40.2 million is accrued as of June 30, 2010.

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In the ordinary course of business, the Company warrants to customers that its products are free of defect 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, the Company typically provides limited warranties with respect to its services. From time to time, the Company also makes other warranties to customers, including warranties that its products are manufactured in accordance with applicable laws and not in violation of third-party rights. The Company provides for estimated warranty costs at the time of the product sale. The Company believes its warranty reserve as of June 30, 2010 appropriately reflects the estimated cost of such warranty obligations. The changes in the carrying amount of warranty obligations during the six-month period ended June 30, 2010 are as follows:

(in thousands)	
BALANCE AT DECEMBER 31, 2009	\$ 3,468
Provision charged to income	434
Usage	(186)
Adjustments to previously provided warranties, net	(99)
Foreign currency translation	(186)
 BALANCE AT JUNE 30, 2010	 \$ 3,431

Preacquisition Contingencies

In connection with certain of the Company's acquisitions, amounts were paid into escrow accounts to cover preacquisition contingencies assumed in the acquisition. The escrow amounts expected to be claimed by QIAGEN are recorded as an asset in prepaid and other expenses and amount to \$36.8 million as of June 30, 2010 (\$37.1 million as of December 31, 2009). In addition, the Company has recorded \$40.2 million for preacquisition contingencies as a liability under accrued and other liabilities as of June 30, 2010 (\$40.8 million as of December 31, 2009).

Litigation

From time to time, QIAGEN may be party to legal proceedings incidental to its business. As of June 30, 2010, 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, based on the facts known to QIAGEN and after consultation with legal counsel, management believes that such litigation will not have a material adverse effect on QIAGEN's financial position or results of operations.

Digene Corporation v. F. Hoffmann-LaRoche Ltd. and Roche Molecular Systems, Inc.

In December 2006, Digene filed for arbitration with the International Centre for Dispute Resolution of the American Arbitration Association in New York against F. Hoffmann-LaRoche Ltd. and Roche Molecular Systems, Inc. (collectively Roche) for breach of contract of a 1990 Cross License Agreement between Digene and Roche for rights to certain HPV patents. Digene alleged that Roche had breached this license agreement by entering into a Supply and Purchase Agreement with Gen-Probe, Inc. (Gen-Probe) in violation of the terms of the Cross License Agreement. On July 13, 2007, the arbitration panel granted Gen-Probe's request to intervene as a respondent in the arbitration. On April 1, 2009, the arbitration panel granted an interim award denying QIAGEN's breach of contract claims and consequently also the damages. On April 15, 2009, Roche and Gen-Probe filed motions for reimbursement of attorneys' fees. On August 12, 2009, the arbitration panel issued a total award of \$6.3 million, including administrative and arbitrator fees, and on August 13, 2009, the Company filed a petition in the Supreme Court of the State of New York to vacate or modify the award of the arbitrators. On August 20, 2009, Roche and Gen-Probe filed a joint petition to confirm the award, and on September 23, 2009, the Court set the briefing/hearing schedule. On December 18, 2009, the District Court heard oral arguments on the petitions to vacate and confirm the arbitration award. The Court's ruling is currently pending. QIAGEN will vigorously pursue this matter.

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Corbett v. Montreal Biotechnologies, Inc.

On February 19, 2009, M.H. Montreal Biotechnologies, Inc. (MBI) sued QIAGEN, Inc. and Corbett Life Science Pty. Ltd. (Corbett) in the Circuit Court for Montgomery County, Maryland, seeking monetary damages. MBI claims that QIAGEN, Inc. intentionally interfered with MBI's contractual relations with Corbett, intentionally interfered with MBI's contractual and business relations with its customers, and engaged in unfair competition. Separately, MBI contends that Corbett breached its contract with MBI, breached the implied covenant of good faith and fair dealing, and also engaged in unfair competition. In a court hearing on October 14, 2009, the court dismissed the case against Corbett. MBI amended its complaint on November 16, 2009, adding QIAGEN N.V. and QIAGEN GmbH as new defendants and changing certain contentions against QIAGEN. QIAGEN will vigorously defend the matter.

QIAGEN Sciences, Inc. v. Operon Biotechnologies, Inc.

On July 2, 2009, Operon Biotechnologies, Inc. (Operon) commenced arbitration against QIAGEN Sciences, Inc. asserting a breach of a supply agreement between the parties and seeking monetary damages. Operon asserts that QIAGEN failed to comply with the preferred supplier provisions of the agreement and that this breach has caused damages, including lost profits. QIAGEN is in the process of responding to this claim and will vigorously defend against the claim.

QIAGEN Gaithersburg, Inc. v. Abbott GmbH & Co. KG.

On November 4, 2009, QIAGEN Gaithersburg, Inc. filed a patent infringement lawsuit against Abbott GmbH & Co. KG (Abbott) in the Düsseldorf District Court in Germany moving for injunctive relief as well as declaratory judgment on damages with respect to patent infringement. On January 19, 2010, a case management conference took place before the Düsseldorf District Court during which Abbott moved for dismissal of the complaint, and the Court set a due date of May 18, 2010 for Abbott's statement of defense, with the Company's reply due by September 21, 2010, and Abbott's rejoinder due December 27, 2010. The hearing date is set for January 18, 2011. In reaction to the Düsseldorf lawsuit, Abbott has filed a motion to compel arbitration, including an anti-suit injunction against QIAGEN before the Northern District Court of Illinois. QIAGEN filed its opposition on March 8, 2010. By Memorandum and Order dated April 15, 2010, the U.S. District Judge has granted Abbott's motion to compel arbitration but has denied the anti-suit injunction. On April 21, 2010, Abbott contacted QIAGEN seeking to initiate the arbitration proceedings by confirming an arbitrator, and on May 6, 2010, the arbitrator was confirmed. The parties further agreed to conduct the arbitration on September 15-16, 2010 in Philadelphia, Pennsylvania. Abbott has stated that it will seek damages in the arbitration for harm to Abbott caused by QIAGEN's termination of the agreement. QIAGEN asserts that the termination was proper and will vigorously pursue this matter.

Roche Molecular Systems, Inc v. DxS Ltd.

On February 11, 2010, Roche Molecular Systems filed a lawsuit against DxS in the federal court for the Southern District of New York. In its lawsuit, Roche alleged that DxS is preparing to terminate the parties' Distributor Agreement without good cause and that DxS' termination of the Agreement would cause Roche to suffer irreparable harm in the form of lost business opportunities and goodwill and damage to Roche's reputation. In connection with its lawsuit, Roche had also filed a motion for preliminary injunction in which it asked the court to issue an order prohibiting DxS from terminating the Agreement and requiring DxS to perform its obligations under the Agreement pending the final resolution of the lawsuit. Roche amended its complaint adding QIAGEN N.V. and QIAGEN GmbH as new defendants and changing certain contentions against QIAGEN. Before the scheduled jury trial, parties entered into a settlement agreement whereby they released each other from and dismissed all mutual claims. The matter was thereby closed.

15. Segment and Related Information

During the first quarter of 2010, the Company determined that it operates as one business segment in accordance with ASC Topic 280, Segment Reporting. As a result of the Company's continued restructuring and streamlining of the growing organization, and with revised internal budgeting and reporting approaches, the Company's chief operating decision maker (CODM) transitioned to making decisions with regards to business operations and resource allocation based on evaluations of the QIAGEN Group as a whole. This change in decision making process has evolved with our continued growth as a Company. Because the Company has expanded in recent years into the molecular diagnostics and life sciences markets, with revenues derived from the Company's entire product and service offerings, it is not practicable to provide financial information for each group of similar products and services offered by the Company, or for each customer group, as full discrete financial information for each of these is not available. Accordingly, the Company operates as one reporting segment.

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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 sum immaterial except for certain transactions as discussed below.

The Company has 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 8, QIAGEN Finance and Euro Finance are variable interest entities, however QIAGEN N.V. does not hold a variable interest in these entities, and they have 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 June 30, 2010 and December 31, 2009, the Company had a loan payable to QIAGEN Finance of \$145.0 million, accrued interest due to QIAGEN Finance of \$3.3 million and amounts receivable from QIAGEN Finance and \$2.3 million for both periods. As of June 30, 2010 and December 31, 2009, the Company had a loan payable to Euro Finance of \$300.0 million, accrued interest due to Euro Finance of \$2.9 million and \$3.0 million, respectively, and amounts receivable of \$1.6 million for both periods.

17. Subsequent Events

In July 2010, the Company paid the current portion of long-term debt of \$50.0 million which was part of the \$500.0 million term loan that will mature in 2012 (see Note 8).

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Note Regarding Forward-Looking Statements and Risk Factors

Our future operating results may be affected by various risk factors, many of which are beyond our control. Certain of the statements included in this report and any documents incorporated herein by reference may be forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, including statements regarding potential future net sales, gross profit, net income and liquidity. These statements can be identified by the use of forward-looking terminology, such as may, will, could, 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. Consequently, our future development efforts involve a high degree of risk. When considering forward-looking statements, you should keep in mind that the risks described in the risk factors, or other risks not currently known to us or considered immaterial, could cause our actual results to differ significantly from those contained in any forward-looking statement.

In addition to the other information set forth in this Report, you should carefully consider the factors discussed under the heading "Risk Factors", which could materially affect our business, financial condition or future results of operations. The risks described are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Results of Operations

Overview

We believe, based on the nature of our products and technologies and our United States and European market shares, as supported by independent market studies, that we are the world's leading provider of innovative sample and assay technologies and products. Sample technologies are used to isolate DNA, RNA and proteins from any biological sample, such as blood or tissue. Assay technologies are then used to make isolated biomolecules, such as the DNA of a specific virus, visible for subsequent analysis. Our products are considered benchmark standards in areas such as pre-analytical sample preparation and assay solutions in molecular diagnostics, research for life sciences, and applied testing.

We have developed consumable products and automated solutions that sell these products to molecular diagnostics laboratories, academic researchers, pharmaceutical and biotechnology companies, and applied testing customers for purposes such as forensics, animal or food testing, and pharmaceutical process control. These products enable our customers to efficiently pursue their research and commercial goals that require the use of nucleic acids. We market our products in more than 40 countries throughout the world. We have established subsidiaries in the

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markets that we believe have the greatest sales potential, including countries throughout Europe, Asia, the Americas and Australia. We also have specialized independent distributors and importers. We employ more than 3,500 people in over 30 locations worldwide.

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Since 2005, we have had a compound annual growth rate of approximately 21% in net sales and 23% in net income based on reported U.S. GAAP results. We have funded our growth through internally generated funds, debt, and private and public sales of equity securities. In recent years, we have made a number of strategic acquisitions and disposals expanding and focusing our technology and product offerings. These transactions include:

In April 2010, we acquired the food market business of IFP, a privately-held Berlin, Germany based company which sells food, veterinary and environmental quality control assays.

In January 2010, we acquired ESE GmbH, a privately-held developer and manufacturer of portable, battery operated, ultra-fast time to result, multiplex UV and fluorescence optical measurement devices located in Germany. ESE's fluorescence detection systems for point of need testing in healthcare and applied testing (e.g. veterinary, food, environmental, biodefense testing) enable low-throughput molecular testing in practices, emergency rooms, remote field areas, and other settings where a laboratory infrastructure is not accessible and fast turnaround is required.

In December 2009, we acquired SABiosciences Corporation, located in Frederick, Maryland. SABiosciences holds a leading position in the design and commercialization of disease- and pathway-focused real-time PCR-based assay panels (PCR Arrays), which are widely utilized in biomedical research and in the development of future drugs and diagnostics.

In September 2009, we acquired DxS Ltd., a privately-held developer and manufacturer of companion diagnostic products headquartered in Manchester, United Kingdom. DxS Ltd. is a pioneer in development and marketing of companion diagnostics which enable physicians in oncology to predict patients' responses to certain treatments in order to make cancer therapies more effective. Through this acquisition, we acquired a portfolio of molecular diagnostic assays and related intellectual property as well as a deep pipeline of already signed or planned companion diagnostic partnerships in oncology with leading pharmaceutical companies. With the acquisition, we believe that we can take a leading position in personalized healthcare and strengthen our overall strategic position in molecular diagnostics.

In August 2009, we acquired Explera s.r.l., a leading supplier in molecular diagnostics and personalized medicine in Italy.

In March 2009, we acquired a molecular diagnostics distribution business in China.

In October 2008, we acquired all assets of the Biosystems Business from Biotage AB, a publicly-listed developer, manufacturer and distributor of products for genetic analysis and medicinal chemistry headquartered in Uppsala, Sweden. The assets acquired also include the purchase of the remaining 17.5% of the outstanding stock of Corbett Life Science Pte. Ltd. (Corbett).

In July 2008, we acquired 82.5% of Corbett, a privately-held developer, manufacturer, and distributor of life sciences instrumentation headquartered in Sydney, Australia. Corbett is best known for having developed the world's first rotary real-time PCR cyclers system – the Rotor-Gene – a system used to detect real-time polymerase chain reactions (PCR) which make specific sequences of DNA and RNA targets visible through amplification and quantifiable through real-time measurement of such amplification. The addition of this proprietary PCR detection technology extends our molecular testing solution portfolio and enhances our options to offer sample and assay technology solutions spanning from sample to result. In July 2008, we also acquired the minority interest of our Brazilian subsidiary, QIAGEN Brasil Biotecnologia Ltda.

In February 2008, we acquired a business unit from Diagnostic Technology Pty. Ltd., located in Belrose, Australia, which relates to the distribution of products in Australia, New Zealand, Singapore and Malaysia. In May 2008, we established QIAGEN Mexico via

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the acquisition of certain assets of our former life science distributor Quimica Valaner.

On a consolidated basis, operating income decreased to \$42.8 for the three month period ended June 30, 2010 from \$46.9 million for the same period in 2009 and in the six month period ended June 30, 2010 increased to \$87.5 million from \$83.9 million in the same period for 2009. Our operating income was impacted by growth in consumable and instrument product sales which experienced growth of 8% and 9% in the quarter ended June 30, 2010, as compared to 5% and 66% in the quarter ended June 30, 2009, respectively. Our financial results include the contributions of our recent acquisitions from the date of acquisition, as well as the costs related to the acquisitions and integrations, including costs related to the relocation and closure of certain facilities. Our results also reflect the benefits of our previous restructuring efforts, which have contributed to improved profitability as we continue to manage our operating costs.

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During the first quarter of 2010, we determined that we operate as one business segment in accordance with ASC Topic 280, Segment Reporting. As a result of our continued restructuring and streamlining of the growing organization, and with revised internal budgeting and reporting approaches, our chief operating decision maker (CODM) has now transitioned to making decisions with regards to business operations and resource allocation based on evaluations of the QIAGEN Group as a whole. This change in decision making process has evolved with our continued growth as a Company. Because we have expanded in recent years into the molecular diagnostics and life sciences markets, 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 offered or for each customer group, as full discrete financial information for each of these is not available. Accordingly, we operate as one reporting segment. However, we will provide certain revenue information by customer class in order to provide better insight into our operations. This information is gathered using certain assumptions in order to allocate revenue amongst the customer classes.

On March 30, 2010, the U.S. President signed the Health Care and Education Reconciliation Act of 2010, which is a reconciliation bill that amends the Patient Protection and Affordable Care Act that was signed by the President on March 23, 2010 (collectively, the Acts). As a result of the Acts, a 2.3% excise tax will be imposed on the sale, including leases, of any taxable medical devices by the manufacturer, producer or importer of such devices. A taxable medical device is any FDA regulated device intended for human use. The excise tax will apply to the U.S. sales of all taxable medical devices occurring after December 31, 2012. While we continue to evaluate the impact of the Acts, at the present time, we expect a net positive impact from the legislation due to the expected increase in net sales resulting from increased health coverage, which will be partially offset by the excise tax.

Three and Six-Month Periods Ended June 30, 2010 Compared to Three and Six-Month Periods Ended June 30, 2009

Net Sales

In the second quarter of 2010, net sales increased by 9% to \$262.7 million, compared to \$240.2 million in the second quarter of 2009. The increase in second quarter sales includes organic growth (5%) and sales from our recently acquired businesses (7%), partially offset by the negative impacts of foreign currency exchange rates and the third quarter 2009 divestiture of our subsidiary in Austria (3%).

In the six month period ended June 30, 2010, net sales increased 14% to \$527.1 million, compared to \$461.1 million in the same period of 2009. The increase in sales in the first half of 2010 includes organic growth (8%) and sales from our recently acquired businesses (6%) and a positive impact of foreign currency exchange rates (2%), partially offset by the negative impact of the third quarter 2009 divestiture of our subsidiary in Austria (2%).

The increase in sales was the result of an increase in sales of our consumable products, which represented approximately 85% of total sales, and instruments products, which represented approximately 14% of total sales. Sales of sample and assay technologies, which include consumables and instrumentation, experienced growth rates of 8% and 9%, respectively, in the second quarter of 2010, as compared to the same period in 2009. In 2009, we experienced higher sales volumes of certain H1N1-related products which were not repeated in 2010. The effects of these H1N1-related sales in the second quarter of 2009 are estimated to have been about 5% of total revenues. Additionally, in 2010, we are observing some lower volumes of molecular diagnostic assay sales which appear to be related to decreasing visits to healthcare providers.

The overall net sales growth was spread across all customer classes. In molecular diagnostics, which represents approximately 47% of our net sales, we experienced 11% growth in the second quarter of 2010 as compared to the second quarter of 2009. In academia, which represents approximately 24% of our net sales, we experienced 5% growth in the second quarter of 2010 as compared to the second quarter of 2009, in part due to increased purchases using stimulus funds. We expect that this positive impact from the stimulus package will continue into 2011. In Pharma, which represents approximately 22% of our net sales, we experienced 10% growth in the second quarter of 2010 as compared to the second quarter of 2009. In applied testing, which represents approximately 7% of our net sales, we experienced 14% growth in the second quarter of 2010 as compared to the second quarter of 2009.

We expect further growth following the introduction of new products and instrumentation platforms. We regularly introduce new products in order to extend the life of our existing product lines as well as to address new market opportunities. In 2010 to date, we launched 19 new products in the area of sample and assay technologies.

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A significant portion of our revenues is denominated in euros and currencies other than the United States dollar. Changes in currency exchange rates can affect net sales, potentially to a significant degree. When calculated by translating the local currency, actual results in the current period using the average exchange rates from the previous year's respective period instead of the current period, net sales were negatively impacted by \$3.2 million in currency effects for the three months ended June 30, 2010 and positively impacted by \$8.5 million in currency effects for the six months ended June 30, 2010, as compared to the same periods in 2009.

The uncertainties of the current global financial crisis represent a risk for the Company, and while we expect continued growth in our consumables and instrumentation businesses, such future growth could be adversely effected and may be lower than our historical growth.

Gross Profit

Gross profit was \$172.8 million (66% of net sales) in the three month period ended June 30, 2010, as compared to \$159.5 million (66% of net sales) in the comparable 2009 period. The absolute dollar increase in 2010 compared to 2009 is attributable to the increase in net sales. Our consumable products have a higher gross margin than our instrumentation products, and fluctuations in the sales levels of these products can result in fluctuations in our gross margin during a quarter when compared to the gross margin of another quarter.

Amortization expense related to developed technology and patent and license rights, which have been acquired in a business combination, is included in cost of sales. The amortization expense on acquisition-related intangibles within cost of sales increased to \$15.3 million in the second quarter of 2010, as compared to \$13.2 million in the comparable 2009 period. We expect that our acquisition-related intangible amortization will continue to increase as a result of new acquisitions.

Gross profit for the six month period ended June 30, 2010 was \$346.0 million (66% of net sales), as compared to \$305.9 million (66% of net sales) for the same period in 2009.

Research and Development

Research and development expenses increased by 18% to \$29.4 million (11% of net sales) in the second quarter of 2010, compared to \$24.9 million (10% of net sales) in the same period of 2009. Our business combinations, along with the acquisition of new technologies, have resulted in an increase in our research and development costs. As we continue to discover, develop and acquire new products and technologies, we will incur additional expense related to research and development facilities, licenses and employees engaged in our research and development efforts. Additionally, our 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. The increase in research and development expense was positively affected by \$0.8 million of currency impact in the second quarter of 2010 calculated by translating the local currency actual results in the current period using the average exchange rates from the previous year's respective period instead of the current period. We have a strong commitment to research and development and expect to continue to make investments in our research and development efforts. Accordingly, our research and development expenses will continue to increase, perhaps significantly.

For the six month period ended June 30, 2010, research and development expenses increased by 21% to \$61.0 million (12% of net sales), compared to \$50.6 million (11% of net sales) for the same period in 2009.

Sales and Marketing

Sales and marketing expenses increased by 12% to \$66.3 million (25% of net sales) in the second quarter of 2010 from \$59.0 million (25% of net sales) in the same period of 2009. Sales and marketing expenses are primarily associated with personnel, commissions, advertising, trade shows, publications, freight and logistics expenses and other promotional expenses. The increase in sales and marketing expenses in the second quarter of 2010, as compared to the same period of 2009, is primarily due to our acquisitions of DxS and SAB in September and December of 2009, respectively. In addition, the sales and marketing expenses include the costs of maintaining separate sales organizations addressing customers in industrial and academic research, applied testing and molecular diagnostics. The increase in sales and marketing expense was positively affected by \$0.8 million of currency impact in the second quarter of 2010 when calculated by translating the local currency actual results in the current period using the average exchange rates from the previous year's respective period instead of the current period. We anticipate that sales and marketing costs will continue to increase along with new product introductions and continued growth in sales of our products, but we expect sales and marketing costs will, for the most part, grow at a slower rate than our overall revenue growth.

Sales and marketing expenses increased by 14% to \$130.7 million (25% of net sales) in the six month period ended June 30, 2010 from \$115.1 million (25% of net sales) in the comparable period in 2009.

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General and Administrative, Integration and Other Costs

General and administrative, business integration, restructuring and related costs increased by 16% to \$28.4 million (11% of net sales) in the second quarter of 2010 from \$24.6 million (10% of net sales) in the second quarter of 2009. The increase in these expenses in the second quarter of 2010 is primarily the result of increased general and administrative expenses related to our new businesses acquired in 2009, partially offset by lower integration costs. We have continued to incur integration costs for businesses acquired and such costs totaled approximately \$3.8 million in the second quarter of 2010, as compared to \$2.6 million in the same period of 2009. In connection with the integration of the acquired companies, we aim to improve efficiency in general and administrative operations. Additionally, when calculated by translating the local currency actual results in the current period using the average exchange rates from the previous year's respective period instead of the current period, general and administrative, integration and related costs decreased by \$0.5 million due to currency impact in the second quarter of 2010, as compared to the same period of 2009. As we further integrate the acquired companies, we expect to continue to incur additional business integration costs in 2010. We believe that over time the results of the integration activities will continue to result in a decrease in our general and administrative expenses as a percentage of sales.

During the six months ended June 30, 2010, we recorded general and administrative, business integration, restructuring and related costs of \$54.8 million, as compared to \$48.4 million in the same period of 2009.

Acquisition-Related Intangible Amortization

Amortization expense related to developed technology and patent and license rights, which have been acquired in a business combination, is included in cost of sales. Amortization of trademarks, customer base and non-compete agreements, which have been 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 either cost of sales, research and development or sales and marketing line items based on the use of the asset.

During the three months ended June 30, 2010, the amortization expense on acquisition-related intangibles within operating expense increased to \$5.8 million, compared to \$4.0 million in the same period of 2009. The increase in expense is the result of an increase in amortized intangibles acquired in our recent business combinations. We expect that our acquisition-related intangible amortization will continue to increase as a result of our acquisitions.

During the six months ended June 30, 2010, we recorded amortization expense on acquisition-related intangibles within operating expense of \$12.0 million, as compared to \$7.9 million in the same period of 2009.

Other Income (Expense)

Total other expense was \$3.3 million and \$6.6 million in the three and six month periods ended June 30, 2010, as compared to other expense of \$5.8 million and \$10.3 million in the same periods of 2009, respectively. The decrease in total other expense in the three and six month periods ended June 30, 2010 as compared to the same periods ended June 30, 2009 is primarily due to increased interest income and other income in the first half of 2010.

For the three and six month periods ended June 30, 2010, interest income increased to \$1.5 million and \$2.2 million from \$0.7 million and \$1.9 million in the same periods of 2009, respectively. The increase in interest income was due primarily to changing interest rates.

Interest expense increased to \$7.7 million and decreased to \$13.9 million in the three and six month periods ended June 30, 2010, from \$7.3 and \$14.7 million in the same periods of 2009, respectively. Interest costs primarily resulted from our long-term debt as discussed in Note 8 in the accompanying notes to the condensed consolidated financial statements. The changes in the balances relate primarily to foreign currency fluctuations for the current year periods as compared to the same periods in the prior years.

The increase in other income in the three and six month periods ended June 30, 2010 as compared to the same periods in 2009 was primarily due to favorable effects from foreign currency gains of \$1.7 million and \$3.8 million, in the three and six month periods ended June 30, 2010, respectively. Additionally, in the second quarter of 2010, we recorded higher income from equity-method investees, while in the second quarter of 2009 we realized a \$1.1 million loss on the write-off of non-operating assets,

Table of Contents***Provision for Income Taxes***

Our provision for income taxes is based upon the estimated annual effective tax rates. Fluctuations in the distribution of pre-tax income among our operating subsidiaries can lead to fluctuations of the effective tax rate in the consolidated financial statements. Our operating subsidiaries are exposed to effective tax rates ranging from zero up to approximately 43%.

In the second quarters of 2010 and 2009, our effective tax rates were 3% and 24% respectively. In the six-month periods ended June 30, 2010 and 2009, our effective tax rates were 12% and 24%, respectively. The provision for income taxes is based upon the estimated annual effective tax rates. In 2010, an increasing portion of pre-tax income is estimated to be attributable to subsidiaries with lower effective tax rates, as compared to the same period of 2009. The lower estimated annualized effective rate for the period ended June 30, 2010 is primarily related to lower estimated pre-tax income in the U.S. and the substantial impact of discrete events of (25%) for the second quarter 2010 as compared to 2009 (3.5%). As a result of internal restructuring related to the foreign subsidiaries acquired in a previous acquisition, a one time deduction for bad debt and worthless stock was realized during the second quarter of 2010 and resulted in a \$12.0 million tax benefit.

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 June 30, 2010 and December 31, 2009, we had cash and cash equivalents of \$844.2 million and \$825.6 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 June 30, 2010, cash and cash equivalents had increased by \$18.7 million from December 31, 2009 primarily due to cash used in investing activities of \$103.9 million, offset by cash provided by operating activities of \$76.5 million and financing activities of \$10.1 million. As of June 30, 2010 and December 31, 2009, we had working capital of \$1,030.7 million and \$957.9 million, respectively.

Operating Activities. For the periods ended June 30, 2010 and 2009, we generated net cash from operating activities of \$76.5 million and \$87.4 million, respectively. Cash provided by operating activities decreased in 2010 compared to the same period of 2009 primarily due to a net decrease in working capital accounts partially offset by increases in net income and amortization of purchased intangibles. The net decrease in net working capital accounts includes a decrease in accrued and other liabilities in 2010 which reflects the payment of accrued personnel costs which were accrued as of December 31, 2009. The increase in net income is primarily attributable to our sales growth. The increase in amortization of purchased intangibles results primarily from our acquisitions late in 2009. 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 \$103.9 million of cash was used in investing activities during the period ended June 30, 2010, compared to \$30.5 million for the period ended June 30, 2009. Investing activities during the first half of 2010 consisted principally of \$74.0 million invested in short-term investments, cash paid for purchases of property and equipment, primarily in our ongoing construction projects in Germany and the U.S. as well as cash paid for acquisitions and intangible assets. During the first half of 2010, cash paid for acquisitions, net of cash acquired totaled \$25.0 million and includes cash paid for acquisitions made in 2010 as well as milestone payments from previous acquisitions. In January 2010, we acquired ESE GmbH, a privately-held developer and manufacturer of UV and fluorescence optical measurement devices based in Stockach, Germany, for an upfront purchase price of EUR 9.4 million (\$13.5 million) in cash and potential future milestone payments of up to EUR 3.3 million (approximately \$4.0 million at June 30, 2010). In April 2010, we acquired a food market business for an upfront purchase price of \$8.3 million in cash and potential future milestone payments. These investing activities were partially offset by the receipt of \$14.9 million in proceeds from the 2009 sale of an investment in a privately-held company.

In January 2009, we purchased the land and building adjacent to our facility in Hilden, Germany for EUR 2.5 million (approximately \$3.2 million) and in August 2009 began the construction to further expand the German facilities for research and development and production space. In addition, we are planning for expansions at our Germantown, Maryland, USA facility for production and administrative space, construction on which began in June 2010. These expansion projects are expected to continue into 2012 at an estimated total cost of approximately \$93.9 million. We anticipate that we will be able to fund such expansions with cash generated by our operating activities as well as with a \$0.7 million loan from the Maryland Department of Business and Economic Development and a \$0.3 million grant from the Montgomery County Economic Development Fund. As a condition of the loan, QIAGEN is required to add an additional 90 jobs in Maryland by 2015.

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In connection with certain acquisitions, we could be required to make additional contingent cash payments totaling up to \$93.0 million based on the achievement of certain revenue and operating results milestones as follows: \$15.6 million in 2010, \$15.9 million in 2011, \$15.7 million in 2012, \$45.8 million payable in any 12-month period from now until 2014 based on the accomplishment of certain revenue targets, the launch of certain products or the grant of certain patent rights. Of the \$93.0 million total contingent obligation, approximately \$40.2 million is accrued as of June 30, 2010.

Financing Activities. Financing activities provided \$10.1 million in cash for the six months ended June 30, 2010, compared to \$11.9 million in the six months ended June 30, 2009. Cash provided during 2010 was primarily due to the issuance of common shares in connection with our equity compensation plans and tax benefits from stock-based compensation, partially offset by capital lease payments.

We have credit lines totaling \$160.1 million at variable interest rates, an insignificant amount of which was utilized as of June 30, 2010. We also have capital lease obligations, including interest, in the aggregate amount of \$27.7 million, and carry \$922.8 million of long-term debt, of which \$51.0 million is current as of June 30, 2010. In April 2010, we made the first draw down in the amount of EUR 2.3 million (\$2.8 million as of June 30, 2010) under a loan, which can be utilized for up to EUR 12.7 million to finance R&D projects in Germany. The loan bears interest at 3.5% and is due to be fully repaid by 2019 with repayments starting in 2011.

In July 2007, we signed a Syndicated Multi-Currency Term Loan and Revolving Credit Facilities Agreement with Deutsche Bank AG, Deutsche Bank Luxembourg S.A., and the lenders named in the syndication agreement. The lenders made available to us an aggregate amount of \$750 million in the form of (1) a \$500.0 million term loan, (2) a \$100.0 million bridge loan, and (3) a \$150.0 million revolving credit facility. Under the agreement, the \$500.0 million term loan will mature in July 2012 with an amortization schedule that began in July 2009. In July 2009 and July 2010, \$25.0 million and \$50.0 million were repaid, respectively. The \$150.0 million revolving credit facility will also expire in July 2012. The \$100.0 million bridge loan was utilized and repaid within the third quarter of 2007. We used the proceeds of the term loan and the bridge loan to pay the cash component of the Digene acquisition consideration and the fees and expenses of the Digene offer and the merger. The revolving credit facility is available for general corporate purposes. The interest due on the \$500.0 million term loan and the \$150.0 million currently undrawn revolving credit facility is tied to the LIBOR benchmark and therefore variable. A \$200.0 million portion of the \$500.0 million term loan has been swapped into a fixed interest rate.

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), and of \$300.0 million 3.25% senior convertible notes (2006 Notes) due in 2026 through QIAGEN Euro Finance. QIAGEN Finance and Euro Finance are unconsolidated subsidiaries, which were established for this purpose. At June 30, 2010, \$145.0 million and \$300.0 million are included in long-term debt for the amount of 2004 Notes and 2006 Notes payable to QIAGEN Finance and Euro Finance, respectively. In connection with conversion of \$5.0 million of the 2004 Notes, we repaid \$5.0 million of the debt to QIAGEN Finance. The 2004 Notes have an effective rate of 2.16%, are due in July 2011 and are convertible into our common shares at a conversion price of \$12.6449, subject to adjustment. The 2006 Notes have an effective rate of 3.94%, are due in November 2012 and are convertible into our common shares at a conversion price of \$20.00, subject to adjustment. QIAGEN N.V. has guaranteed the 2004 and 2006 Notes and has agreements with QIAGEN Finance and Euro Finance to issue shares to the investors 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.

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 or 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 has also been 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 reduce or delay our capital expenditures, acquisitions or research and development projects. If we could not obtain financing on a timely basis or at satisfactory terms, or implement timely reductions in our expenditures, our business could be adversely affected.

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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, 2009.

Foreign Currency

QIAGEN N.V.'s functional currency is the U.S. dollar and our subsidiaries' functional currencies are the local currencies of the respective countries in which they are headquartered. 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. The net gain on foreign currency transactions in the three month periods ended June 30, 2010 and 2009 was \$1.7 million and \$2.1 million, respectively, and is included in other income, 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 credit risk.