**QIAGEN N.V., VENLO, THE NETHERLANDS**

# Interim condensed financial report

# for the six-months ended June 30, 2012

**(unaudited)**

## Contents

**QIAGEN N.V.**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(in US$ thousands)

| | Note | June 30, 2012 (unaudited) | December 31, 2011 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | | $ 214,709 | $ 221,598 |
| Current available-for-sale financial instruments | | 52,319 | 54,577 |
| Trade accounts receivable | | 217,574 | 230,770 |
| Income taxes receivable | | 30,434 | 19,009 |
| Inventories | (9) | 139,589 | 132,236 |
| Prepaid expenses and other current assets | | 48,924 | 42,726 |
| **Total current assets** | | **703,549** | **700,916** |
| Non-current assets: | | | |
| Property, plant and equipment | | 350,258 | 345,170 |
| Goodwill | | 1,765,276 | 1,746,773 |
| Other intangible assets | | 983,027 | 891,887 |
| Investments in associates | | 27,528 | 35,647 |
| Non-current available-for-sale financial instruments | | 6,802 | 6,802 |
| Deferred tax assets | | 105,408 | 94,127 |
| Other non-current assets | | 13,958 | 12,832 |
| **Total non-current assets** | | **3,252,257** | **3,133,238** |
| **Total assets** | | **$ 3,955,806** | **$ 3,834,154** |

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

**QIAGEN N.V.**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(in US$ thousands, except per share data)

| | Note | June 30, 2012 (unaudited) | December 31, 2011 |
|---|---|---|---|
| **Liabilities and equity** | | | |
| Current liabilities: | | | |
| Current financial debts | | $ 215,682 | $ 145,963 |
| Trade and other accounts payable | | 60,694 | 59,848 |
| Provisions | | 5,146 | 5,063 |
| Income tax payable | | 28,301 | 31,364 |
| Other current liabilities | (5) | 165,990 | 205,482 |
| **Total current liabilities** | | **475,813** | **447,720** |
| Non-current liabilities: | | | |
| Non-current financial debts | | 435,442 | 430,562 |
| Deferred tax liabilities | | 273,039 | 259,286 |
| Other non-current liabilities | | 57,042 | 63,775 |
| **Total non-current liabilities** | | **765,523** | **753,623** |
| 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—235,924 and 234,221 shares in 2012 and 2011, respectively | | 2,761 | 2,739 |
| Share premium | | 1,872,673 | 1,842,648 |
| Reserves | | 13,206 | 20,466 |
| Retained earnings | | 816,324 | 757,464 |
| **Equity attributable to the owners of QIAGEN N.V.** | | **2,704,964** | **2,623,317** |
| Non-controlling interest | | 9,506 | 9,494 |
| **Total equity** | | **2,714,470** | **2,632,811** |
| **Total liabilities and equity** | | **$ 3,955,806** | **$ 3,834,154** |

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

**QIAGEN N.V.**

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**

(in US$ thousands, except per share data)

| | Note | Six months ended June 30, 2012 | 2011 |
|---|---|---|---|
| | | (unaudited) | |
| **Net sales** | | **$ 603,635** | **$ 546,442** |
| Cost of sales | | (211,590) | (185,884) |
| **Gross profit** | | **392,045** | **360,558** |
| Operating expenses: | | | |
| Other operating income | | 98 | 3,637 |
| Research and development | | (60,692) | (60,694) |
| Sales and marketing | | (168,277) | (144,869) |
| General and administrative, restructuring, integration and other | | (66,682) | (53,211) |
| Acquisition-related intangible amortization | | (19,207) | (13,959) |
| Other operating (expense) | | (57) | (2,234) |
| **Total operating expenses** | | **(314,817)** | **(271,330)** |
| **Income from operations** | | **77,228** | **89,228** |
| Financial income | | 2,388 | 2,541 |
| Financial expense | | (15,478) | (19,592) |
| Foreign currency gains (losses), net | | (3,082) | (1,593) |
| Gain (loss) from investments in associates | | 537 | (887) |
| Other income | | 1,733 | 1,553 |
| **Income before income taxes** | | **63,326** | **71,250** |
| Income tax expense | (10) | (4,218) | (12,968) |
| **Net income** | | **$ 59,108** | **$ 58,282** |
| - attributable to non-controlling interest | | $ 248 | $ — |
| - attributable to the owners of QIAGEN N.V. | | $ 58,860 | $ 58,282 |
| | | | |
| Basic earnings per common share attributable to the owners of QIAGEN N.V. | | $ 0.25 | $ 0.25 |
| Diluted earnings per common share attributable to the owners of QIAGEN N.V. | | $ 0.25 | $ 0.25 |
| | | | |
| Weighted average shares outstanding (in thousands) | | | |
| Basic | | 235,302 | 233,601 |
| Diluted | | 237,265 | 236,537 |

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

**QIAGEN N.V.**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(in US$ thousands)

| | Note | Six Months Ended June 30, 2012 | 2011 |
|---|---|---|---|
| | | (unaudited) | |
| **Net income** | | **$ 59,108** | **$ 58,282** |
| Gains (losses) on cash flow hedges, before tax | **(6)** | 3,541 | (10,925) |
| Reclassification adjustments on cash flow hedges, before tax | **(6)** | (2,978) | 13,542 |
| Cash flow hedges, before tax | | 563 | 2,617 |
| Foreign currency translation adjustments, before tax | | (7,716) | 37,622 |
| **Other comprehensive (loss) income, before tax** | | **(7,153)** | **40,239** |
| Income tax relating to components of other comprehensive (loss) income | **(10)** | (343) | (183) |
| Total other comprehensive (loss) income, after tax | | (7,496) | 40,056 |
| **Total comprehensive income** | | **$ 51,612** | **$ 98,338** |
| - attributable to non-controlling interest | | 12 | — |
| - attributable to the owners of QIAGEN N.V. | | 51,600 | 98,338 |

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

**QIAGEN N.V.**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(in US$ thousands)

| | Note | Six months ended June 30, 2012 | 2011 |
|---|---|---|---|
| | | (unaudited) | |
| Net income | | $ 59,108 | $ 58,282 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation, amortization and impairment of intangible and other fixed assets | | 99,712 | 84,250 |
| Non-cash impacts from convertible bond | | 5,047 | 7,650 |
| Gain on sale of property, plant and equipment | | 369 | 286 |
| Gain on sale of investments | | — | (604) |
| Deferred income taxes | | (23,771) | (6,321) |
| Share based compensation | (11) | 14,684 | 9,245 |
| Other non-cash items | | 22,216 | 1,079 |
| Net changes in operating assets and liabilities: | | | |
| Accounts receivable | | 5,837 | (4,557) |
| Inventories | | (25,927) | (11,994) |
| Income tax receivables | | (12,145) | 973 |
| Other assets | | (4,577) | (7,146) |
| Accounts payable | | 126 | (995) |
| Accrued and other liabilities | | (33,212) | (4,087) |
| Income tax payables | | 70 | (7,574) |
| **Net cash provided by operating activities** | | **107,537** | **118,487** |
| Purchases of property, plant and equipment | | (41,836) | (39,319) |
| Purchases of intangible assets | | (5,121) | (7,205) |
| Capitalization of development expenses | | (3,612) | (9,593) |
| Proceeds from sale of equipment | | 806 | 958 |
| Sale/(Purchase) of available-for-sale assets | | — | (59,547) |
| Purchase of investments | | (7,000) | (19,284) |
| Cash paid for acquisitions, net of cash acquired | | (131,810) | (5,407) |
| **Net cash used in investing activities** | | **(188,573)** | **(139,397)** |
| Net proceeds from short-term debt | | 68,870 | — |
| Repayment of long-term debt | | (65) | — |
| Principal payments on finance leases | | (2,000) | (1,822) |
| Proceeds from issuance of common shares | | 12,468 | 6,022 |
| Other financing activities | | (4,928) | 263 |
| **Net cash provided by financing activities** | | **74,345** | **4,463** |
| Effect of exchange rate changes on cash and cash equivalents | | (198) | (23,953) |
| Net decrease in cash and cash equivalents | | (6,889) | (40,400) |
| Cash and cash equivalents, beginning of period | | 221,598 | 830,354 |
| Cash and cash equivalents, end of period | | $ 214,709 | $ 789,954 |

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

**QIAGEN N.V.**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(in US$ thousands)

| (unaudited) | Note | Common Shares | Share premium | Retained Earnings | Cash flow hedge reserve | Foreign currency translation | Reserves | **Equity Attributable to the Owners of QIAGEN N.V.** | Non-controlling Interest | **Total Equity** |
|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE AT JANUARY 1, 2011** | | **$ 2,724** | **$ 1,811,633** | **$ 714,323** | **$ (1,644)** | **$ 71,061** | **$ 69,417** | **$ 2,598,097** | **$ —** | **$ 2,598,097** |
| Net income | | — | — | 58,282 | — | | — | 58,282 | — | 58,282 |
| Other comprehensive income | | — | — | — | 1,848 | 38,208 | 40,056 | 40,056 | — | 40,056 |
| **Total comprehensive income** | | **—** | **—** | **58,282** | **1,848** | **38,208** | **40,056** | **98,338** | **—** | **98,338** |
| Tax benefit of employee stock plans | | — | 2,185 | — | — | — | — | 2,185 | — | 2,185 |
| Share-based payments | **(11)** | — | 9,767 | — | — | — | — | 9,767 | — | 9,767 |
| Employee stock plans | | 11 | 6,011 | — | — | — | — | 6,022 | — | 6,022 |
| **BALANCE AT JUNE 30, 2011** | | **$ 2,735** | **$ 1,829,596** | **$ 772,605** | **$ 204** | **$ 109,269** | **$ 109,473** | **$ 2,714,409** | **$ —** | **$ 2,714,409** |
| | | | | | | | | | | |
| **BALANCE AT JANUARY 1, 2012** | | **$ 2,739** | **$ 1,842,648** | **$ 757,464** | **$ (762)** | **$ 21,228** | **$ 20,466** | **$ 2,623,317** | **$ 9,494** | **$ 2,632,811** |
| Net income | | — | — | 58,860 | — | — | — | 58,860 | 248 | 59,108 |
| Other comprehensive income (loss) | | — | — | — | 394 | (7,654) | (7,260) | (7,260) | (236) | (7,496) |
| **Total comprehensive income (loss)** | | **—** | **—** | **58,860** | **394** | **(7,654)** | **(7,260)** | **51,600** | **12** | **51,612** |
| Tax benefit of employee stock plans | | — | 3,138 | — | — | — | — | 3,138 | — | 3,138 |
| Share-based payments | **(11)** | — | 14,441 | — | — | — | — | 14,441 | — | 14,441 |
| Employee stock plans | | 22 | 12,446 | — | — | — | — | 12,468 | — | 12,468 |
| **BALANCE AT JUNE 30, 2012** | | **$ 2,761** | **$ 1,872,673** | **$ 816,324** | **$ (368)** | **$ 13,574** | **$ 13,206** | **$ 2,704,964** | **$ 9,506** | **$ 2,714,470** |

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

## QIAGEN N.V.

## Selected explanatory notes to the interim condensed consolidated financial statements for the six months ended June 30, 2012 (unaudited)

### 1. Corporate Information

QIAGEN N.V. (NASDAQ: QGEN; Frankfurt, Prime Standard: QIA) is a public limited liability company ('naamloze vennootschap') under Dutch law with registered office at Spoorstraat 50, Venlo, The Netherlands. QIAGEN N.V. as the holding company and Subsidiaries ('the Company', 'Group', 'we' or 'QIAGEN') is a leading provider of innovative technologies and products for preanalytical sample preparation and linked molecular assay solutions.

### 2. Basis of Presentation and Significant Accounting Policies

QIAGEN issues interim condensed consolidated financial statements for the six-months ended June 30, 2012, which have been prepared in accordance with IAS 34. These interim condensed consolidated financial statements have not been audited or reviewed.

The interim condensed consolidated financial statements were approved for issue on July 27, 2012.

The interim condensed consolidated financial statements are presented in U.S. Dollar ($) and all values are rounded to the nearest thousand ($ 000) except when otherwise indicated.

These interim 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 for the year ended December 31, 2011.

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.

**Significant Accounting Policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2011.

*New Standards, interpretations and amendments thereof*

The adoption of the amendments to the existing standards as below did not have any impact on the financial position or performance of the Group:

- IAS 12 – Deferred Tax, Recovery of Underlying Assets (Amendment)
- IFRS 7 – Financial Instruments, Disclosures (Amendment)
- IFRIC 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)

*Changes in Presentation*

We have renamed the line item '*purchased intangibles amortization*' to '*acquisition-related intangible amortization*', the content of the amortization charges shown under this line item are unchanged and still refer to intangible assets we acquired in connection with business combinations.

*Segment Reporting*

In connection with recent acquisitions and internal restructuring, the Company has determined it operates as one operating segment in accordance with IFRS 8 Operating Segments. The Company's chief operating decision maker (CODM) makes decisions based on the Company as a whole. With revenues derived from our entire product and service offerings, it is not practicable to provide a detail of revenues for each group of similar products and services or for each customer group, as discrete financial information is not available. Accordingly, we operate as one reporting segment. However, we do provide certain revenue information by customer class to allow better insight into our operations. This information is estimated using certain assumptions to allocate revenue among the customer classes.

*Estimates*

The preparation of interim condensed consolidated financial statements requires the company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2011.

During the six month period ended June 30, 2012, there were no significant impairment charges recognized.

**3. Computation of Earnings Per Share Attributable to QIAGEN N.V.**

*Basic Earnings per Share*

Basic earnings per share is calculated by dividing the net income attributable to the owners of QIAGEN N.V. by the weighted average number of shares outstanding during the period.

*Diluted earnings per share*

For diluted earnings per share, the weighted average number of common shares outstanding is adjusted to assume conversion of all potential dilutive shares arising from outstanding stock options, restricted stock units and the convertible bond.

For stock options, a calculation is made to determine the number of shares that could have been acquired at fair value based on proceeds from the exercise of stock options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the stock options. The difference is added to the denominator as additional shares for no consideration. There is no adjustment made to the numerator. In the six months ended June 30, 2012, share equivalents of 1,963,000 common shares (2011: 2,936,000 common shares) arising from stock options and restricted stock units granted to employees and directors were included in calculating diluted earnings per share. In the six months ended June 30, 2012, 3,907,000 outstanding stock options and restricted stock units (2011: 1,584,000 stock options) were not considered in the calculation as they were antidilutive.

For the convertible bonds, the number of shares into which the bonds are assumed to be fully convertible is added to the denominator. The numerator is increased by eliminating the interest expense, net of tax that would not be incurred if the bonds were converted.

## 4. Acquisitions

*2012 Acquisitions*

On May 3, 2012, we acquired AmniSure International LLC (AmniSure), a privately owned company that markets the AmniSure® assay for determining whether a pregnant woman is suffering rupture of fetal membranes (ROM), a condition in which fluid leaks from the amniotic sac prematurely. The acquisition of AmniSure did not have a material business impact to net sales, net income or earnings per share, and therefore no pro forma financial information has been provided herein. Subsequent to the acquisition date, our results of operations include the results of AmniSure.

The allocation of the purchase price is preliminary and is not yet finalized. The preliminary allocation of the purchase price is based upon preliminary estimates using information that was available to management at the time the financial statements were prepared and these estimates and assumptions are subject to change within the measurement period, up to one year from the acquisition date. Accordingly, the allocation may change. We continue to gather information about the fair value of certain assets and liabilities, including intangible assets acquired, deferred taxes and liabilities. Acquisition-related costs are expensed when incurred and are included in general, administrative, integration and other in the accompanying interim condensed consolidated income statement.

The preliminary purchase price allocation is as follows:

| (in thousands) | AmniSure acquisition |
|---|---|
| Purchase price: | |
| Cash consideration | $ 101,228 |
| Fair value of contingent considerations | 4,530 |
| **Total consideration:** | **$ 105,758** |
| | |
| Allocation: | |
| Working capital | $ 5,311 |
| Fixed and other non-current assets | 262 |
| Developed technology, licenses and know-how | 28,961 |
| Customer relationships | 26,876 |
| Tradenames | 2,962 |
| Goodwill | 54,901 |
| Deferred tax liability on fair value of identifiable intangible assets acquired | (13,455) |
| Liabilities assumed | (60) |
| **Preliminary allocation** | **$ 105,758** |

The weighted-average amortization period for the intangible assets is 10 years. The goodwill acquired is not deductible for tax purposes.

We acquired AmniSure in the second quarter of 2012. Since the acquisition date, the results of AmniSure are included in the consolidated results through June 30, 2012, and were not material. Acquisition-related costs for AmniSure for

the period ended June 30, 2012 was were not material. The total fair value of the contingent consideration for AmniSure of approximately $4.5 million has been recorded as purchase price using a probability-weighted analysis of the future milestones using discount rates between 0.68% and 1.24%. Under the purchase agreement, we could be required to make additional contingent cash payments totaling $35.0 million through 2016, of which $4.5 million was accrued as of June 30, 2012.

During 2012, we completed other acquisitions which were not significant, either individually or in the aggregate, to the overall interim condensed consolidated financial statements. The total cash paid for these acquisitions, net of cash acquired, was $31.2 million. Certain acquisitions included contingent consideration where we are required to assess the acquisition date fair value of the contingent consideration liabilities, which is recorded as part of the purchase consideration. The total fair value of the contingent consideration for these other 2012 acquisitions of approximately $12.7 million has been recorded as purchase price. Under the purchase agreements, we could be required to make additional contingent cash payments totaling $13.3 million through 2016, of which $12.7 million was accrued as of June 30, 2012.

We made contingent purchase price payments totaling $6.0 million in the first half of 2012 for acquisitions completed prior to 2012. The contingent purchase price payments were contractually due upon achievement of certain performance criteria of the acquired business.

*2011 Acquisitions*

During 2011, we acquired a majority shareholding in Ipsogen S.A., a publicly listed company founded in 1999 and based in Marseille, France, who is a global leader in molecular profiling and personalized healthcare diagnostics for a broad range of applications in the field of hematology. The acquisition of Ipsogen provides QIAGEN access to a broad range of assays covering 15 biomarkers used worldwide for the diagnosis, prognosis and monitoring of patients with various blood cancers. Many of these assays also are used as companion diagnostics in personalized healthcare to make and guide treatment decisions. Many of Ipsogen’s assays have CE-IVD Marking in Europe and have been developed for use on QIAGEN's Rotor-Gene Q real-time PCR system. This has the potential to enable the smooth and rapid transfer of these unique products onto QIAGEN's QIAsymphony RGQ, a novel integrated sample-to-result laboratory automation platform that includes the Rotor-Gene Q system. On July 12, 2011, we had paid a total of $57.4 million in cash for the initial 62.6% of the Ipsogen outstanding common shares. On the acquisition date the fair value of the non-controlling interest was $42.4 million and the fair value of all Ipsogen outstanding common shares an other equity instruments was approximately €70.2 million ($99.9 million). The fair value of the non-controlling interest was based on reference to quoted market values of Ipsogen stock. The assignment of the total consideration including the fair value of the non-controlling interest as of the date of the acquisition is shown below. As of December 31, 2011, we paid an additional $29.8 million and now hold 89.3% of the Ipsogen shares on a fully diluted basis.

The final purchase price allocation did not differ materially from the preliminary estimates other than the recognition of approximately $7.8 million of additional long-term deferred tax assets, $8.1 million of additional developed technology and $2.8 million of additional long-term deferred tax liability related to the developed technology and correspondingly, goodwill. These changes to the final purchase price allocation were not significant overall to the interim condensed consolidated financial statements. The final purchase price allocation is as follows:

| (in thousands) | Ipsogen acquisition |
|---|---|
| Purchase price: | |
| Cash consideration | $ 57,436 |
| Fair value of non-controlling interest | 42,437 |
| **Purchase price** | **$ 99,873** |
| | |
| Allocation: | |
| Working capital | $ 14,042 |
| Fixed and other non-current assets | 10,229 |
| Developed technology, licenses and know-how | 44,500 |
| Customer relationships | 11,000 |
| Tradenames | 1,400 |
| Goodwill | 39,939 |
| Deferred tax liability on fair value of identifiable intangible assets acquired | (19,325) |
| Liabilities assumed | (1,912) |
| **Final allocation** | **$ 99,873** |

The weighted-average amortization period for the intangible assets 10 years. The goodwill acquired is not deductible for tax purposes.

On August 29, 2011, we acquired all outstanding shares of Cellestis Ltd., a publicly listed Australian company, for $372.5 million in cash. Cellestis develops and provides in-vitro diagnostics and life science research products based on its proprietary QuantiFERON® technology. The technology provides information on the activity of the cell-mediated functions of the immune system from whole blood samples. By tapping into the body's memory system, this approach allows diseases to be detected much earlier than with other diagnostic methods, such as PCR. With QuantiFERON®, we are adding a "pre-molecular" technology that allows us to look even deeper than with DNA-based molecular testing and thereby strive to feed and drive our DNA-based molecular franchise. QuantiFERON® is a trademark of Cellestis, Ltd. At the acquisition date, the allocation was based upon information that was available to management at the time the financial statements were prepared. The allocation remains preliminary pending the final determination of the intangible assets acquired and the resulting deferred taxes.

**5. Restructuring**

Late in 2011, we began a project to enhance productivity by streamlining the organization and freeing up resources for reallocation to strategic initiatives to help drive growth and innovation, strengthen our industry leadership position and improve longer-term profitability. This project aims to eliminate organizational layers and overlapping structures, actions that we expect will enhance our processes, speed and productivity. In the first half of 2012, we recorded net pretax charges of $16.9 million in general, administrative, restructuring and other. We expect to record additional restructuring charges in 2012 related to this program.

The specific restructuring measures and associated estimated costs were based on management's best business judgment under the existing circumstances at the time the estimates were made. If future events require changes to these estimates, such adjustments will be reflected in the applicable line item in the interim condensed consolidated income statement.

The following table summarizes the cash components of the restructuring costs. At June 30, 2012 and December 31, 2011, a cost accrual of $5.7 million and $26.9 million, respectively, was included in other current liabilities in the accompanying interim condensed consolidated statement of financial position.

| (in thousands) | Personnel Related | Facility Related | Contract Cost | Total |
|---|---|---|---|---|
| Balance at December 31, 2011 | $ 19,228 | $ 443 | $ 7,238 | **$ 26,909** |
| Additional costs in 2012 | 3,250 | 1,649 | 11,973 | **16,872** |
| Payments | (17,604) | (337) | (17,963) | **(35,904)** |
| Release of excess accrual | (2,102) | — | — | **(2,102)** |
| Translation | (36) | — | — | **(36)** |
| **Balance at June 30, 2012** | **$ 2,736** | **$ 1,755** | **$ 1,248** | **$ 5,739** |

Included in other costs are costs associated with third-party service providers that are assisting the Company in executing the restructuring. We accrue for such costs as the services are provided.

**6. 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 other speculative purposes. We recognize all derivatives as either assets or liabilities on the statement of financial position on a gross basis, measure those instruments at fair value and recognize the change in fair value in earnings in the period of change, unless the derivative qualifies as an effective hedge that offsets certain exposures. We do not offset the fair value of derivative instruments with cash collateral held or received from the same counterparty under a master netting arrangement.

As of June 30, 2012, and December 31, 2011, 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 (loss) 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 2012 and 2011, we did not record any hedge ineffectiveness related to any cash-flow hedges in income (expense) and did not discontinue any cash-flow hedges. During the next 12 months, we expect that approximately $0.4 million of derivative losses included in accumulated other comprehensive income, based on their valuation as of June 30, 2012, will be reclassified into income. The cash flows derived from derivatives, including those that are not designated as hedges, are classified in the operating section of the interim condensed consolidated statements of cash flows, in the same category as the interim condensed consolidated statement of financial position account of the underlying item.

*Foreign Currency Derivatives*

As a globally active enterprise, we are subject to risks associated with fluctuations in foreign currencies in our ordinary operations. This includes foreign currency-denominated receivables, payables, debt, and other line items in the interim condensed statement of financial position. We manage our foreign currency exposure on a group-wide basis using

foreign exchange forward and option contracts as well as cross-currency swaps.

In addition, we were party to cross-currency swaps which qualified as cash-flow hedges with a notional amount of $120.0 million as of June 30, 2012, and December 31, 2011, which mature in November 2012 and had fair market values of $2.8 million in prepaid and other current assets at June 30, 2012 and $1.7 million in other current liabilities at December 31, 2011, in the accompanying interim condensed consolidated statement of financial position.

*Undesignated Derivative Instruments*

We are party to various foreign exchange forward, option and swap arrangements which had, at June 30, 2012, an aggregate notional value of approximately $152.4 million and fair values of $1.2 million and $2.3 million, which are included in other current assets and other current liabilities, respectively, and which expire at various dates through October 2012.

We were party to various foreign exchange forward and swap arrangements which had, at December 31, 2011, an aggregate notional value of approximately $204.0 million and fair values of $5.5 million and $0.8 million, which are included in other current assets and other current liabilities, respectively, and which expired at various dates through April 2012.

The transactions were entered into to offset the effects from short-term exposure to foreign currency exchange risk. Changes in the fair value of these arrangements were recognized the interim condensed consolidated income statement.

*Interest Rate Derivatives*

We used interest rate derivative contracts on certain borrowing transactions to hedge fluctuating interest rates until October 2011. The interest rate swaps effectively fixed the variable interest rates on a portion of our variable rate debt and qualified for hedge accounting as cash-flow hedges. There was no ineffectiveness related to these swaps, the last of which matured in October 2011.

*Fair Values of Derivative Instruments*

The following table summarizes the fair value amounts of derivative instruments reported in the interim condensed consolidated statement of financial position as of June 30, 2012, and December 31, 2011:

| | **Derivatives in Asset Positions Fair value** | | **Derivatives in Liability Positions Fair value** | |
|---|---|---|---|---|
| (in thousands) | **6/30/2012** | 12/31/2011 | **6/30/2012** | 12/31/2011 |
| Foreign currency contracts - hedged | $ 2,753 | $ 658 | $ — | $ (1,723) |
| Foreign currency contracts - non hedged | 1,152 | 5,489 | (2,275) | (769) |
| **Total derivative instruments** | **$ 3,905** | **$ 6,147** | **$ (2,275)** | **$ (2,492)** |

## 7. Fair value measurements

Financial Instruments are measured at fair value according the following hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices in active markets for the same instrument;
- Level 2: Quoted prices in active markets for similar instruments or other valuation techniques for which all significant inputs are based on observable market data, either directly or indirectly;
- Level 3: Valuation techniques for which any significant input is not based on observable data

Our assets and liabilities measured at fair value on a recurring basis consist of current available-for-sale financial instruments, which are classified in Level 1 and Level 2 of the fair value hierarchy, derivative financial instruments used to hedge currency and interest rate risk, which are classified in Level 2 of the fair value hierarchy, and contingent consideration accruals which are classified in Level 3 of the fair value hierarchy and are shown in the tables below. In determining fair value for Level 2 instruments, we apply a market approach, using quoted active market prices relevant to the particular instrument under valuation, giving consideration to the credit risk of both the respective counterparty to the contract and the Company. To determine our credit risk we estimated our credit rating by benchmarking the price of outstanding debt to publicly-available comparable data from rated companies. Using the estimated rating, our credit risk was quantified by reference to publicly-traded debt with a corresponding rating. We value contingent consideration liabilities using level 3 unobservable inputs, applying the income approach, such as the discounted cash flow technique, or the probability-weighted scenario method. Contingent consideration arrangements obligate us to pay the sellers of an acquired entity if specified future events occur or conditions are met such as the achievement of technological or revenue milestones. We use various key assumptions, such as the probability of achievement of the milestones and the discount rate, to represent the non-performing risk factors and time value when applying the income approach. We regularly review the fair value of the contingent consideration, and measurement period adjustments are reflected in goodwill and all other changes in the accrual are recognized in the condensed consolidated statement of income in the line items commensurate with the underlying nature of milestone arrangements.

The following table presents our fair value hierarchy for our financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2012:

| (in thousands) | Level 1 | Level 2 | Level 3 | June 30, 2012 |
|---|---|---|---|---|
| Current available-for-sale financial instruments | $ 8,254 | $ 44,065 | $ — | **$ 52,319** |
| Foreign exchange contracts | — | 3,905 | — | **3,905** |
| **Assets** | **$ 8,254** | **$ 47,970** | **$ —** | **$ 56,224** |
| Foreign exchange contracts | $ — | $ 2,275 | $ — | **$ 2,275** |
| Contingent consideration | — | — | 25,382 | **25,382** |
| **Liabilities** | **$ —** | **$ 2,275** | **$ 25,382** | **$ 27,657** |

As at December 31, 2011, we held the following financial instruments measured at fair value:

| (in thousands) | Level 1 | Level 2 | Level 3 | December 31, 2011 |
|---|---|---|---|---|
| Current available-for-sale financial instruments | $ 9,290 | $ 45,287 | $ — | **$ 54,577** |
| Foreign exchange contracts | — | 6,147 | — | **6,147** |
| **Assets** | **$ 9,290** | **$ 51,434** | **$ —** | **$ 60,724** |
| Foreign exchange contracts | $ — | $ 2,492 | $ — | **$ 2,492** |
| Contingent consideration | — | — | 38,646 | **38,646** |
| **Liabilities** | **$ —** | **$ 2,492** | **$ 38,646** | **$ 41,138** |

For financial liabilities with Level 3 inputs, the following table summarizes the activity for the six-months ended June 30, 2012

| (in thousands) | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Contingent Consideration |
|---|---|
| Beginning Balance at January 1st, 2012 | $ 38,646 |
| Additions | 17,296 |
| Payments | (4,927) |
| Change in estimate | (25,619) |
| Foreign currency translation adjustments | (14) |
| Ending balance at June 30, 2012 | $ 25,382 |

The change estimate of $25.6 million includes $6.5 million for a change in fair value, of which $1.7 million is included in cost of sales and $4.8 million is included in research and development expense in the condensed consolidated statement of income, and $19.1 million which was recorded against goodwill as new information about facts and circumstances that existed at the acquisition date were discovered during the measurement period for the respective acquisitions that resulted in changes to the fair value of the contingent consideration as of the acquisition date.

The carrying values of financial instruments, including cash and equivalents, accounts receivable, accounts payable and other accrued liabilities, approximate their fair values due to their short-term maturities. The estimated fair value of long-term debt as disclosed in Note 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 six-month periods ended June 30, 2012 and 2011 for nonfinancial assets or liabilities required to be measured at fair value on a nonrecurring basis.

**8. Debt**

The credit facilities available at June 30, 2012 total €436.6 million (approximately $549.7 million) of which €170.0 million (approximately $214.0 million) was utilized at June 30, 2012.

With reference to the detailed disclosure in the Annual Report 2011 and based on an estimation using available over-the-counter market information on the convertible bonds, the fair value of the convertible bond issued by QIAGEN Euro Finance (Luxembourg) S.A., at June 30, 2012, was approximately US$ 194.3 million. The effective interest rate of the Notes amounts to 5.20%. The Company has reserved 11.5 million shares of common stock for issuance in the event of conversion.

The fair value of the the convertible bond issued by QIAGEN Euro Finance (Luxembourg) S.A., at June 30, 2012, was approximately US$ 340.0 million. The effective interest rate of the Notes amounts to 7.3%. The Company has reserved 15.0 million of common stock for issuance in the event of conversion.

## 9. Inventories

The components of inventories consist of the following as of June 30, 2012, and December 31, 2011:

| (in thousands) | June 30, 2012 | December 31, 2011 |
|---|---|---|
| Raw materials | $ 29,983 | $ 26,645 |
| Work in process | 36,079 | 33,757 |
| Finished goods | 73,527 | 71,834 |
| **Total inventories** | **$ 139,589** | **$ 132,236** |

## 10. Income Taxes

The provision for income taxes is based upon the estimated annual effective tax rates for the year applied to the current period income before tax. Our operating subsidiaries are exposed to effective tax rates ranging from zero to approximately 42%. Fluctuations in the distribution of pre-tax income among our operating subsidiaries can lead to fluctuations of the effective tax rate. In the six-months periods ended June 30, 2012 and 2011 the effective tax rates were 6.7% and 18.2%, respectively.

| | Six months ended June 30, | |
|---|---|---|
| (in thousands) | 2012 | 2011 |
| Current income tax expense | $ 27,989 | $ 19,349 |
| Deferred income tax expense | (23,771) | (6,381) |
| **Income tax expense in income statement** | **4,218** | **12,968** |
| Income tax effect resulting from cash flow hedging contracts | (169) | (769) |
| Income tax on foreign currency translation differences | (174) | 586 |
| **Income tax relating to components of other comprehensive (loss) income** | **(343)** | **(183)** |
| **Total income taxes** | **$ 3,875** | **$ 12,785** |

## 11. Share-Based Payments

*Stock Options*

During the six-months periods ended June 30, 2012 and 2011, we granted options to purchase 0.5 million common shares.

*Restricted Stock Units*

During the six-month period ended June 30, 2012, we granted 2.4 million restricted stock units compared to 1.8 million

restricted stock units for the six-month period ended June 30, 2011.

*Compensation Expense*

Total share-based compensation expense for the six months ended June 30, 2012 and 2011, is comprised of the following:

| | Six months ended June 30, | |
|---|---|---|
| (in thousands) | 2012 | 2011 |
| Cost of sales | $ 1,511 | $ 812 |
| Research and development | 2,460 | 1,471 |
| Sales and marketing | 3,711 | 2,036 |
| General and administrative, restructuring, integration and other | 7,001 | 4,926 |
| **Share-based compensation expense before taxes** | **14,683** | **9,245** |
| Less: income tax benefit | 7,629 | 1,983 |
| **Net share-based compensation expense** | **$ 7,054** | **$ 7,262** |

No compensation cost was capitalized in inventory in 2012 or 2011 as the amounts were not material.

**12. Commitments and Contingencies**

*Contingent Consideration Commitments*

Pursuant to the purchase agreements for certain acquisitions, we could be required to make additional contingent cash payments totaling up to $138.3 million based on the achievement of certain revenue and operating results milestones as follows: $22.9 million in 2012, $17.9 million in 2013, $23.3 million payable in 2014, $16.0 million in 2015, $17.2 million in 2016, and $41.0 million payable in any 12-month period from now until 2016 based on the accomplishment of certain revenue targets, the launch of certain products or the grant of certain patent rights. Of the $138.3 million total contingent obligation, $13.5 million and $11.9 million are included in accrued and other liabilities and other long-term liabilities, respectively, as of June 30, 2012.

*Preacquistion Contingencies*

In connection with certain acquisitions, amounts were paid into escrow accounts to cover certain preacquistion contingencies assumed in the acquisition. The escrow amounts expected to be claimed by QIAGEN are recorded as an asset in other current assets and amount to $7.5 million as of June 30, 2012 ($7.0 million as of December 31, 2011). In addition, we have recorded $7.1 million for preacquistion contingencies as a liability under other current liabilities as of June 30, 2012 ($6.2 million as of December 31, 2011).

*Contingencies*

In the ordinary course of business, we provide a warranty to customers that our products are free of defects and will conform to published specifications. Generally, the applicable product warranty period is one year from the date of delivery of the product to the customer or of site acceptance, if required. Additionally, we typically provide limited warranties with respect to our services. From time to time, we also make other warranties to customers, including warranties that our products are manufactured in accordance with applicable laws and not in violation of third-party

rights. We provide for estimated warranty costs at the time of the product sale. We believe our warranty reserves of $4.3 million and $3.9 million as of June 30, 2012, and December 31, 2011, respectively, appropriately reflect the estimated cost of such warranty obligations.

*Litigation*

From time to time, QIAGEN may be party to legal proceedings incidental to its business. As of June 30, 2012, 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.

*Cybeles Life Science Consulting (Claimant) vs. Research Biolabs Ptd. Ltd. (Respondent)*

On August 18, 2010, Cybeles Life Science Consulting (Cybeles) initiated an arbitration proceeding against QIAGEN's Singapore affiliate Research Biolabs Pte. Ltd. (Research Biolabs) in the Swiss Chambers' Court of Arbitration and Mediation. The Notice of Arbitration alleged breaches of the distribution agreement between the parties, and claimed loss and damage in the amount of approximately $1.3 million. Research Biolabs considers the complaint as not justified and will continue to vigorously defend the claim.

**13. 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. Compared to December 31, 2011, no significant changes have occurred to the related party transactions as of June 30, 2012.

**14. Subsequent Event**

Based on the Company's review, no events or transactions have occurred subsequent to June 30, 2012, that would have a material effect on the financial position and result.

Venlo, July 27, 2012

QIAGEN N.V.

| | |
|---|---|
| **Peer M. Schatz** | **Roland Sackers** |
| CEO | CFO |

## QIAGEN N.V.

## Responsibility statement of the Management Board to the interim condensed consolidated financial statements for the six months ended June 30, 2012

## (unaudited)

The Managing Board of QIAGEN declares that, to the best of their knowledge,

- the interim condensed consolidated financial statements for the six months ended June 30, 2012 (half-year financial statements) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the entities included in the consolidation;

- the interim management report gives a true and fair view of the important events of the past six-month period and their impact on the half-year financial statements, as well as the principal risks and uncertainties for the six-month period to come, and the most important related party transactions as required by provision 5.25d section 2 sub (c) of the Dutch act on financial supervision (*Wet op het financieel toezicht*).

Venlo, July 27, 2012

QIAGEN N.V.

| **Peer M. Schatz** | **Roland Sackers** | **Bernd Uder** |
|---|---|---|
| CEO | CFO | Senior Vice President<br>Global Sales & Service Solutions |

## QIAGEN N.V.

## Interim management report for the six months ended June 30, 2012 (unaudited)

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

***Forward-looking and Cautionary Statements***

This report contains forward-looking statements that are subject to risks and uncertainties. These statements can be identified by the use of forward-looking terminology, such as "believe," "hope," "plan," "intend," "seek," "may," "will," "could," "should," "would," "expect," "anticipate," "estimate," "continue" or other similar words. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. We caution investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements as a result of various factors, including, but not limited to, the following: risks associated with our expansion of operations, including the acquisition of new businesses; variability in our operating results from quarter to quarter; management of growth, international operations, and dependence on key personnel; intense competition; technological change; our ability to develop and protect proprietary products and technologies and to enter into and maintain collaborative commercial relationships; our future capital requirements; general economic conditions and capital market fluctuations; and uncertainties as to the extent of future government regulation of our business. As a result, our future success involves a high degree of risk. For further information, refer to the more specific risks and uncertainties discussed on pages 31 to 57 of the 2011 Annual Report.

***Results of Operations***

*Overview*

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

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

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

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

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

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

A landmark addition of test content was achieved in July 2012 when QIAGEN received U.S. regulatory approval for its therascreen KRAS RGQ PCR Kit, which provides guidance on the use of Erbitux® (cetuximab) as a treatment in patients with metastatic colorectal cancer. This marked a milestone in QIAGEN's global expansion of its Personalized Healthcare franchise. Entry into the U.S. market with our first FDA-approved companion diagnostic builds on success in Europe and Japan, where QIAGEN already offers a range of Personalized Healthcare tests based on real-time PCR or Pyrosequencing.

We are actively expanding its pipeline in companion diagnostics and plans to submit several other tests for U.S. regulatory approval in the coming years. The next U.S. submission is expected in 2012 involving a therascreen EGFR assay as a companion diagnostic for use with Boehringer Ingelheim's investigational medicine afatinib in patients with non-small cell lung cancer (NSCLC). Other submissions are expected to emerge from more than 15 projects we have under way to co-develop and market companion diagnostics with leading pharmaceutical and biotech companies. In addition, QIAGEN is active in numerous partnerships and initiatives to further broaden its overall assay portfolio in Molecular Diagnostics as well as in other customer classes.

We market products in more than 100 countries throughout the world. We have established subsidiaries in markets we believe have the greatest sales potential, including countries throughout Europe, Asia, the Americas and Australia. We also work with specialized independent distributors and importers. As of June 30, 2012, we employed approximately 4,000 people in more than 35 locations worldwide.

We have delivered five-year compound annual growth rates of approximately 20% in net sales through 2011. We have funded our growth through internally generated funds, debt, and private and public sales of equity securities.

*Recent Acquisitions*

We have made a number of strategic acquisitions since 2011, expanding our technology and product offerings as well as extending our geographic presence. These transactions include:

- In June 2012, we unveiled an initiative to enter the next-generation sequencing (NGS) market. The initiative aims to expand the uses of next-generation sequencing technologies from the current focus on life science research into areas such as clinical research and molecular diagnostics. The expected sample-to-result workflows will incorporate our QIAcube and QIAsymphony automation platforms, leading sample preparation solutions, specialized gene panels and GeneGlobe (www.geneglobe.com) portfolio of more than 60,000 well-defined and characterized molecular assays. The solutions span a broad range of QIAGEN consumable and automation solutions, as well as components accessed through partnerships or acquired, such as through the acquisition of Intelligent Bio-Systems, Inc., a U.S. company that QIAGEN acquired in early 2012. New bioinformatics, including NGS solutions from a new collaboration with SAP AG, will handle clinical data produced in next-generation sequencing. The first products from this initiative are expected to launch in 2013.

• In May 2012, we acquired AmniSure International LLC, a privately owned U.S. company, including the AmniSure® assay for determining whether a pregnant woman is suffering rupture of fetal membranes (ROM), a widespread cause of premature delivery and neonatal complications. This product, which is approved in the U.S. and many other markets, is expected to be catalytic for QIAGEN's Point of Need portfolio. AmniSure is expected to contribute approximately $12 million of sales to QIAGEN in 2012, but to be neutral to adjusted EPS as expansion investments are made.

• In August 2011, we acquired Cellestis Ltd., a publicly listed Australian company that develops and provides in-vitro diagnostics and life science research products based on proprietary QuantiFERON® technology. In QuantiFERON®, we added a “pre-molecular” technology that is complementary to our DNA-based molecular testing franchise. The technology provides information on the activity of cell-mediated functions of the immune system from whole blood samples. By tapping into the body's memory system, this approach allows detection of diseases much earlier than other diagnostic methods, such as PCR. QuantiFERON® is a trademark of Cellestis, Ltd.

• In July 2011, we purchased a majority of the shares of Ipsogen S.A., a publicly listed French company that is a global leader in molecular profiling and personalized healthcare diagnostics for a broad range of blood cancers. The acquisition added valuable content to our Molecular Diagnostics portfolio and offers promise for potential partnerships with pharmaceutical companies. In October 2011, we initiated a public tender offer for the remaining shares of Ipsogen. By year-end 2011, we had acquired 89% of the shares. QIAGEN intends to fully acquire Ipsogen through future public offers.

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

We operate as one business segment in accordance with IFRS 8, *Operating Segments*. Our decision-making process has evolved as a result of continued growth, restructuring and streamlining of the organization, and revised internal budgeting and reporting approaches. Our chief operating decision maker (CODM) makes decisions on business operations and resource allocation based on evaluations of the QIAGEN Group as a whole. However, we do provide certain revenue information by customer class to allow better insight into our operations. This information is estimated using certain assumptions to allocate revenue among the customer classes.

**Six-Month Period Ended June 30, 2012, compared to Six-Month Period Ended June 30, 2011**

*Net Sales*

Net sales advanced at a double-digit pace in the first half of 2012, rising 10% as the acquisitions of Cellestis, Ipsogen and AmniSure contributed eight percentage points to growth and the rest of the QIAGEN portfolio added six percentage points. Sales of consumables and related revenues as well as instruments benefited from the broad business improvement across all geographic regions and customer classes, particularly Molecular Diagnostics and Applied Testing. Currency movements had a negative impact of four percentage points on reported growth. For the first half of 2012, consumables and related revenues represented 87% of net sales and grew 13% compared to the same period in 2011. For the first half of 2012, instrument sales rose 17% compared to the same period in 2011 and represented 13% of net sales. Instrument sales grew at a faster rate than consumables, driven by initiatives to secure new product placements, particularly for the QIAsymphony automation system and the Rotor-Gene Q real-time PCR platform.

*Gross Profit*

Gross profit for the six-month period ended June 30, 2012, was $392.0 million (65% of net sales) as compared to $360.6 million (66% of net sales) for the same period in 2011. Generally, our consumable sample and assay products have a higher gross margin than our instrumentation products. The gross margin on milestone payments from companion diagnostic co-development arrangements is significantly below the margin on product sales. In addition, the QuantiFERON TB product acquired with the Cellestis acquisition in 2011 carries a lower gross margin. Fluctuations in the sales levels of these products and services can result in fluctuations in gross margin between periods. During the second quarter, the gross profit was positively impacted by the release of $4.6 million of accrued royalties, which were more than offset by the additional expense associated with fair value accounting of acquired inventories. Further, amortization expense related to developed technology and patent and license rights, which have been acquired in business combinations, is included in cost of sales. The amortization expense on acquisition-related intangibles within cost of sales increased to $40.0 million in the first half of 2012, as compared to $33.6 million in the comparable 2011 period. We expect that our acquisition-related intangible amortization will continue to increase as a result of future acquisitions.

*Research and Development Expense*

Research and development expenses remained unchanged $60.7 million (10% of net sales) in the first half of 2012, as compared to $60.7 million (11% of net sales) in the same period of 2011. Our business combinations, along with the acquisition of new technologies, will increase our research and development costs. As we continue to discover, develop and acquire new products and technologies, we expect to incur additional expenses related to facilities, licenses and employees engaged in research and development efforts. Additionally, research and development costs are expected to increase as a result of seeking regulatory approvals, including U.S. FDA Pre-Market Approval (PMA), U.S. FDA 510(k) clearance and EU CE approval of certain assays or instruments. We have a strong commitment to innovation and expect to continue to make investments in our research and development efforts.

*Sales and Marketing Expense*

Sales and marketing expenses increased by 16% to $168.3 million (28% of net sales) for the six-month period ended June 30, 2012, from $144.9 million (27% of net sales) for the same period in 2011.

The increase in sales and marketing expenses reflects increases related to the acquisitions in 2012. Sales and marketing expenses are primarily associated with personnel, commissions, advertising, trade shows, publications, freight and logistics expenses and other promotional expenses. In addition, the sales and marketing expenses include the costs of maintaining separate sales organizations addressing customers in Molecular Diagnostics, Applied Testing, Pharma and Academia. We anticipate that sales and marketing costs will continue to increase along with new product introductions and growth in sales of our products.

*General and Administrative, Integration and Other Expense*

During the six months ended June 30, 2012, we recorded general and administrative, restructuring and related costs of $66.7 million, as compared to $53.2 million for the same period in 2011. The net increase is due primarily to an increase in restructuring costs in 2012 related to internal restructuring of subsidiaries, including severance and retention costs, plus increased costs in connection with our 2011 acquisitions, partially offset by operational efficiencies. The restructuring costs primarily relate to a project we began in late 2011 to enhance productivity by streamlining the organization and freeing up resources for reallocation to strategic initiatives to help drive growth and innovation,

strengthen our industry leadership position and improve longer-term profitability. This project aims to eliminate organizational layers and overlapping structures, actions that will enhance our processes, speed and productivity. As we further integrate the acquired companies and pursue other opportunities to gain efficiencies, we expect to continue to incur additional business integration and restructuring costs in 2012.

*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 six-months ended June 30, 2012, we recorded amortization expense on acquisition-related intangibles within operating expense of $19.2 million, as compared to $14.0 million for the same period in 2011. We expect that our acquisition-related intangible amortization will continue to increase as a result of future acquisitions.

*Financial Income (Expense)*

For the six months ended June 30, 2012, financial income decreased to $2.4 million from $2.5 million in the same period of 2011. The financial income primarily reflects the changes in our short-term investments and the changing interest rates thereon.

Financial expense decreased to $15.5 million in the six-month periods ended June 30, 2012, as compared to $19.6 million for the same period of 2011.

***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, 2012, and December 31, 2011, we had cash and cash equivalents of $214.7 million and $221.6 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, 2012, cash and cash equivalents had decreased by $6.9 million from December 31, 2011, primarily due to cash used in investing activities of $188.6 million, partially offset by cash provided by operating activities of $107.5 million and financing activities of $74.3 million. As of June 30, 2012 and December 31, 2011, we had working capital of $227.7 million and $253.2 million, respectively.

**Operating Activities:** For the six-months periods ended June 30, 2012 and 2011, we generated net cash from operating activities of $107.5 million and $118.5 million, respectively. While net income was $59.1 million in the six-months ended June 30, 2012, non-cash components in income included $99.7 million of depreciation and amortization. Operating cash flows include a net decrease in working capital of $69.8 million, primarily due to payments made in connection with restructuring activities of $35.9 million, for which $26.9 million was accrued at December 31, 2011. 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 $188.6 million of cash was used in investing activities during the six-months ended June 30, 2012, compared to $139.4 million for the same period in 2011. Investing activities during the six-months ended June 30, 2012 consisted principally of $41.8 million in cash paid for purchases of property and equipment, primarily in our ongoing construction projects in Germany and the U.S., as well as $5.1 million paid for intangible assets. Cash paid for acquisitions, net of cash acquired, of $131.8 million was primarily related to the AmniSure acquisition.

In 2009 and 2010, we started the expansion of our Hilden, Germany, and Germantown, Maryland, USA facilities, respectively. While the construction in Germany complete, the U.S. expansion projects are expected to continue into 2014, with both projects being completed at an estimated total cost of approximately $94.0 million, of which $68.3 million was incurred as of June 30, 2012. We anticipate that we will be able to fund such expansions with cash generated by operating activities.

In connection with certain acquisitions, we could be required to make additional contingent cash payments totaling up to $138.3 million based on the achievement of certain revenue and operating results milestones as follows: $22.9 million in 2012, $17.9 million in 2013, $23.3 million in 2014, $16.0 million in 2015, $17.2 million in 2016, and $41.0 million payable in any 12-month period from now until 2016 based on the accomplishment of certain revenue targets, the launch of certain products or the grant of certain patent rights. Of the $138.3 million total contingent obligation, approximately $13.5 million and $11.9 million are accrued in current and other non-current liabilities, respectively, as of June 30, 2012.

**Financing Activities**: Financing activities provided $74.3 million in cash for the six-months ended June 30, 2012, compared to $4.5 million for the six-months ended June 30, 2011. Cash provided during the six-months ended June 30, 2012 was primarily related to proceeds from short-term borrowings of $68.9 million.

We passed a resolution to exercise the authorization granted by the General Meeting of Shareholders on June 27, 2012, and to repurchase up to $100 million of its common shares (excluding transaction costs). Based on the closing price on July 23, 2012, this represents approximately 6.0 million shares. Details of the repurchase program will be announced before its actual commencement in line with Article 4, Section (2) of EC regulation 2273/2003 (so called Safe Harbour). Repurchased shares will be held in treasury in order to satisfy obligations from exchangeable debt instruments and/or employee share-based remuneration plans. We are also reviewing our current debt structure and may take advantage of the currently low mid-to-long-term interest rates.

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

We believe that funds from operations, existing cash and cash equivalents, together with the proceeds from our public and private sales of equity, and availability of financing facilities, will be sufficient to fund our planned operations and expansion during the coming year. However, the global economic downturn may have a greater impact on our business than currently expected, and we may experience a decrease in the sales of our products, which could impact our ability to generate cash. The availability of debt financing 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

*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 our Annual Report for the year ended December 31, 2011.

*Contractual Obligations*

There were no material changes at June 30, 2012, from the contractual obligations disclosed in our Annual Report for the year ended December 31, 2011 other than the increase in the use of the credit facility discussed in Note 8 and the additional contingent consideration associated with new acquisitions as discussed in Note 4.

*Legal Proceedings*

For information on legal proceedings, see Note 12 to the accompanying selected notes to the interim condensed consolidated financial statements.

While no assurances can be given regarding the outcome of the proceeding described in Note 12, based on information currently available, we believe that the resolution of these matters is unlikely to have a material adverse effect on our financial position or results of future operations for QIAGEN N.V. as a whole. However, because of the nature and inherent uncertainties of litigation, should the outcomes be unfavorable, certain aspects of our business, financial condition, and results of operations and cash flows could be materially adversely affected.

## Principal risks and uncertainties

QIAGEN's risk categories and risk factors which could have a material impact on its financial position and result are extensively described in QIAGEN's 2011 Annual Report. Those risk categories and factors are deemed incorporated and repeated in this report by this reference and QIAGEN believes that these risks similarly apply for the last six-months of 2012. More information can be found on pages 31 to 57 of the 2011 Annual Report.