

QIAGEN NV  
Form 6-K  
June 02, 2008  
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# 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 March 31, 2008

## QIAGEN N.V.

Spoorstraat 50

5911 KJ Venlo

The Netherlands

## Edgar Filing: QIAGEN NV - Form 6-K

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

Form 20-F  Form 40-F

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

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**QIAGEN N.V.**

Form 6-K

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**OTHER INFORMATION**

For the three month period ended March 31, 2008, QIAGEN N.V. prepared its quarterly reports under both United States Generally Accepted Accounting Principles (US GAAP) as well as International Financial Reporting Standards (IFRS). These quarterly reports are furnished herewith as Exhibit 99.1 and Exhibit 99.2, respectively, 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: June 2, 2008

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**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Exhibit</b>
99.1	US GAAP Quarterly Report for the Period Ended March 31, 2008
99.2	IFRS Quarterly Report for the Period Ended March 31, 2008

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**EXHIBIT 99.1**

QIAGEN N.V.

US GAAP QUARTERLY REPORT FOR THE PERIOD ENDED MARCH 31, 2008

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**Table of Contents**QIAGEN N.V.CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except par value and share data)

	March 31, 2008 (unaudited)	December 31, 2007
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 351,561	\$ 347,320
Marketable securities		2,313
Accounts receivable, net of allowance for doubtful accounts of \$2,891 and \$3,344 in 2008 and 2007, respectively	152,459	136,707
Notes receivable	5,609	5,139
Income taxes receivable	11,343	10,696
Inventories, net	99,095	88,346
Prepaid expenses and other	37,063	33,693
Deferred income taxes	38,532	23,732
<b>Total current assets</b>	<b>695,662</b>	<b>647,946</b>
Long-Term Assets:		
Property, plant and equipment, net	299,597	283,491
Goodwill	1,113,354	1,107,882
Intangible assets, net of accumulated amortization of \$84,045 and \$65,129 in 2008 and 2007, respectively	631,078	639,107
Deferred income taxes	75,092	72,128
Other assets	27,463	24,620
<b>Total long-term assets</b>	<b>2,146,584</b>	<b>2,127,228</b>
<b>Total assets</b>	<b>\$ 2,842,246</b>	<b>\$ 2,775,174</b>

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



Table of ContentsQIAGEN N.V.CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except par value and share data)

	March 31, 2008 (unaudited)	December 31, 2007
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 37,822	\$ 40,379
Accrued and other liabilities (of which \$10,086 and \$6,410 due to related parties in 2008 and 2007, respectively, see Note 8)	99,569	104,224
Income taxes payable	22,643	13,456
Current portion of capital lease obligations	2,962	2,769
Deferred income taxes	6,739	4,903
Total current liabilities	169,735	165,731
Long-Term Liabilities:		
Long-term debt (of which \$450,000 in 2008 and 2007 due to related parties, see Note 8)	950,000	950,000
Capital lease obligations, net of current portion	33,182	33,017
Deferred income taxes	226,838	225,893
Other	10,832	8,405
Total long-term liabilities	1,220,852	1,217,315
Minority interest in consolidated subsidiary	613	553
Commitments and Contingencies (Note 14)		
Shareholders' Equity:		
Preference shares, 0.01 EUR par value, authorized 450,000,000 shares, no shares issued and outstanding		
Financing preference shares, 0.01 EUR par value, authorized 40,000,000 shares, no shares issued and outstanding		
Common Shares, 0.01 EUR par value, authorized 410,000,000 shares, issued and outstanding 196,296,429 and 195,335,076 shares in 2008 and 2007, respectively	2,190	2,175
Additional paid-in capital	937,243	925,597
Retained earnings	409,112	388,779
Accumulated other comprehensive income	102,501	75,024
Total shareholders' equity	1,451,046	1,391,575
Total liabilities and shareholders' equity	\$ 2,842,246	\$ 2,775,174

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

**Table of Contents**QIAGEN N.V.CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	Three Months Ended March 31,	
	2008	2007
	(unaudited)	
Net sales	\$ 207,106	\$ 127,879
Cost of sales	55,056	38,926
Cost of sales acquisition related intangible amortization	10,826	1,907
Gross profit	141,224	87,046
Operating Expenses:		
Research and development	21,369	11,531
Sales and marketing	54,078	31,303
General and administrative	19,903	13,626
Acquisition, integration and related costs	8,725	690
Acquisition related intangible amortization	3,651	691
Relocation, restructuring and related costs	460	409
Total operating expenses	108,186	58,250
Income from operations	33,038	28,796
Other Income (Expense):		
Interest income	2,972	5,166
Interest expense	(10,451)	(4,691)
Other income (expense), net	2,135	(254)
Total other (expense) income	(5,344)	221
Income before provision for income taxes and minority interest	27,694	29,017
Provision for income taxes	7,301	9,150
Minority interest	60	
Net income	\$ 20,333	\$ 19,867
Basic and diluted net income per Common Share	\$ 0.10	\$ 0.13

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

Table of ContentsQIAGEN N.V.CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended March 31, 2008                      2007 (unaudited)	
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 20,333	\$ 19,867
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of businesses acquired:		
Depreciation and amortization	10,953	6,138
Acquisition related items:		
Amortization of purchased intangible assets	14,477	2,598
Share-based compensation:		
Share-based compensation expense	2,178	327
Tax effect from share-based compensation	(3,291)	(535)
Provision for losses on accounts receivable	264	229
Deferred income taxes	(14,194)	492
(Gain) on sale of marketable securities	(780)	
Other non cash items	(455)	(385)
Net changes in operating assets and liabilities:		
(Increase) decrease in:		
Notes receivable	(137)	(1,487)
Accounts receivable	(12,864)	(5,069)
Income taxes receivable	136	(2,741)
Inventories	(9,540)	(2,159)
Prepaid expenses and other	(1,442)	(4,261)
Other assets	2,306	(313)
Increase (decrease) in:		
Accounts payable	(5,685)	(2,370)
Accrued and other liabilities	(10,400)	7,759
Income taxes payable	11,437	3,075
Other long-term liabilities	2,382	15
<b>Net cash provided by operating activities</b>	<b>5,678</b>	<b>21,180</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of property, plant and equipment	(9,544)	(6,839)
Proceeds from sale of equipment	36	391
Purchases of intangible assets	(741)	(14,602)
Loan to Dx Assays Pte. Ltd.	(1,441)	
Purchases of marketable securities		(45,265)
Sales of marketable securities	2,313	857
Cash paid for acquisitions, net of cash acquired	(869)	(3,153)
Other		163
<b>Net cash used in investing activities</b>	<b>(10,246)</b>	<b>(68,448)</b>

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



**Table of Contents**QIAGEN N.V.CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, continued

(in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash Flows From Financing Activities:</b>		
Principal payments on capital leases	(687)	(168)
Proceeds from subscription receivables	150	110
Excess tax benefits from share based compensation	3,291	535
Issuance of Common Shares under employee stock plans	6,042	2,513
Other	(541)	
<b>Net cash provided by financing activities</b>	<b>8,255</b>	<b>2,990</b>
Effect of exchange rate changes on cash and cash equivalents	554	(9)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,241</b>	<b>(44,287)</b>
Cash and cash equivalents, beginning of period	347,320	430,357
<b>Cash and cash equivalents, end of period</b>	<b>351,561</b>	<b>\$ 386,070</b>
<b>Supplemental Cash Flow Disclosures:</b>		
Cash paid for interest	\$ 4,237	\$ 5,367
Cash paid for income taxes	\$ 4,535	\$ 7,238
<b>Supplemental Disclosure of Non-cash Investing and Financing Activities:</b>		
Equipment purchased through capital lease	\$	\$ 59

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

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QIAGEN N.V.

NOTES TO CONDENSED 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, 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 for interim financial information and 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. generally accepted accounting principles have been condensed or omitted pursuant to the Securities and Exchange Commission rules and regulations. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary for a fair presentation have been included.

Certain reclassifications of prior year amounts have been made to conform to the current year presentation including amounts reported in prior periods as acquisition-related intangible amortization within operating expenses which are now included as a separate component of cost of sales.

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, 2007.

2. Recent Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161) an amendment of SFAS 133. SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial condition, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 will impact disclosures only and will not have an impact on the Company's consolidated financial condition, results of operations or cash flows.

In September 2006, the FASB issued SFAS 157, Fair Value Measurements, (SFAS 157). This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 requires disclosure of information that enables users of the financial statements to access the inputs use to develop fair value measurements and, for recurring fair value measurements using significant unobservable inputs, the effects of the measurements on earnings for the period. This statement is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued Staff Position 157-2, Effective date of FASB 157, which delays the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The delay is intended to allow the FASB and constituents additional time to consider the effect of various implementation issues that have arisen, or that may arise, from the application of SFAS 157. In accordance with the Staff Position, we adopted SFAS 157 for financial assets and liabilities as of January 1, 2008. The adoption did not have an impact on our consolidated results of operations and financial position. Additional information with respect to the adoption of this standard is set forth in Note 7 to the consolidated financial statements.

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### **3. Share-Based Payments**

#### ***Stock-Based Payments***

During 2005, the Company adopted the QIAGEN N.V. Amended and Restated 2005 Stock Plan (the Plan). The Plan allows for the granting of stock rights, incentive stock options, non-qualified stock options, stock grants and stock-based awards, generally with terms of up to 10 years, subject to earlier termination in certain situations. The vesting and exercisability of certain awards will be accelerated in the event of a Change of Control, as defined in the Plan. The Company had approximately 17.7 million shares of common stock reserved and available for issuance under this plan at March 31, 2008.

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 4.5 million shares of the Company's common stock has been reserved for issuances under these plans of which 1.2 million shares remain reserved and available for issuance as of March 31, 2008. The total number of shares reserved for issuance under these plans includes shares of common stock underlying all options and other awards that the Company has assumed in connection with the acquisition of Digene Corporation.

The Company accounts for share-based payments in accordance with the provisions of SFAS No. 123 (Revised 2004), Share-Based Payment (SFAS 123(R)), which requires measurement and recognition of compensation expense for all share-based awards made to employees and directors. Under SFAS 123(R), the fair value of share-based payments is estimated at grant date using an option pricing model, and the portion that is ultimately expected to vest is recognized as compensation cost over the requisite service period.

Since share-based compensation under SFAS 123(R) is recognized only for those awards that are ultimately expected to vest, the Company has applied an estimated forfeiture rate to unvested awards for the purpose of calculating compensation cost. These estimates will be revised, if necessary, in future periods if actual forfeitures differ from estimates. Changes in estimates impact compensation cost in the period in which the change in estimate occurs.

#### ***Stock Options***

Generally, stock options granted vest over a three-year period. To date, all option grants have been at the closing market price on the grant date or at 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. Option valuation models, including Black-Scholes-Merton, require the input of highly subjective assumptions, and changes in the assumptions used can materially affect the grant date fair value of an award. These assumptions include the risk-free rate of interest, expected dividend yield, expected volatility, and the expected life of the award.

*Risk-Free Interest Rate* This is the average U.S. Treasury rate (having a term that most closely resembles the expected life of the option) at the date the option was granted.

*Dividend Yield* The Company has never declared or paid dividends on its common stock and does not anticipate declaring or paying any dividends in the foreseeable future.

*Expected Volatility* Volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The Company uses a combination of the historical volatility of its stock price and the implied volatility of market-traded options of the Company's stock to estimate the expected volatility assumption input to the Black-Scholes-Merton model in accordance with SFAS No. 123(R) and SAB 107. In prior periods, the Company relied solely on the historical volatility of its stock price for its volatility assumption input to the Black-Scholes model. The Company's decision to use a combination of historical and implied volatility is based upon the availability of actively traded options of its stock and its assessment that such a combination is more representative of future expected stock price trends.

*Expected Life of the Option* This is the period of time that the options granted are expected to remain outstanding. The Company estimated the expected life by considering the historical exercise behavior. The Company uses an even exercise methodology, which assumes that all vested, outstanding options are exercised uniformly over the balance of their contractual life.

*Forfeiture Rate* This is the estimated percentage of options granted that are expected to be forfeited or cancelled on an annual basis before becoming fully vested. The Company estimated the forfeiture rate based on historical forfeiture experience. For the period ended March 31, 2008, the estimated weighted average forfeiture rate was 4.9%.





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During the three-month periods ended March 31, 2008 and 2007, the Company granted options to purchase 216,146 and 249,593 common shares, respectively. Following are the weighted average assumptions used in valuing the stock options granted to employees during the three-month periods ended March 31, 2008 and 2007:

	2008	2007
Stock price volatility	39.5%	39.6%
Risk-free interest rate	2.73%	4.46%
Expected life (in years)	5.61	5.87
Dividend rate	0%	0%

A summary of the status of the Company's employee stock options as of March 31, 2008 and changes during the three months then ended is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value
<b>Stock Options</b>				
Outstanding at December 31, 2007	11,362,641	\$ 13.63		
Granted	216,146	\$ 22.43		
Exercised	(605,215)	\$ 9.69		
Forfeited and cancelled	(31,058)	\$ 28.96		
Outstanding at March 31, 2008	10,942,514	\$ 13.98	5.18	\$ 87,655,123
Exercisable at March 31, 2008	10,300,611	\$ 13.69	4.93	\$ 85,887,697
Vested and expected to vest at March 31, 2008	10,913,758	\$ 13.97	0.09	\$ 87,544,999

The weighted average grant-date fair value of options granted during the three months ended March 31, 2008 was \$8.84. For the three months ended March 31, 2008 and 2007, options to purchase 605,215 and 343,211 shares, respectively, were exercised. The total intrinsic value of options exercised during the three months ended March 31, 2008 and 2007 was \$7.3 million and \$3.8 million, respectively.

The unrecognized share-based compensation expense related to employee stock option awards is approximately \$4.0 million and will be recognized over a weighted average period of approximately 1.5 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 straight-line 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. Pre-vesting forfeitures were estimated to be approximately 3% for the three months ended March 31, 2008. At March 31, 2008, there was \$30.7 million remaining in unrecognized compensation cost related to these awards, which is expected to be recognized over a weighted average period of 4.01 years. The weighted average grant date fair value of restricted stock units granted during the first quarter of 2008 was \$21.99. A summary of the Company's restricted stock units as of March 31, 2008 and changes during the three months then ended is presented below:

Restricted Stock Units	Restricted Stock Units	Weighted Average Contractual	Aggregate Intrinsic Value
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		Term	
Outstanding at December 31, 2007	1,585,558		
Granted	542,246		
Released	(335,215)		
Forfeited and cancelled	(5,543)		
Outstanding at March 31, 2008	1,787,046	4.01	\$ 37,170,557
Vested and expected to vest at March 31, 2008	1,716,966	3.88	\$ 35,712,893

March 31, 2008 U.S. GAAP Quarterly Report

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Total share-based compensation expense for the three months ended March 31, 2008 and 2007 is comprised of the following:

<b>Compensation Expense (in thousands)</b>	<b>March 31, 2008</b>	<b>March 31, 2007</b>
Cost of sales	\$ 234	\$ 19
Research and development	499	57
Sales and marketing	680	60
General and administrative	578	191
Acquisition and integration related	187	
Share-based compensation expense before taxes	2,178	327
Income tax benefit	734	112
Net share-based compensation expense	\$ 1,444	\$ 215

No compensation cost was capitalized in inventory in 2008 or 2007 as the amounts were not material.

**4. Net Income Per Common Share**

Net income per common share for the three months ended March 31, 2008 and 2007 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:

<b>(in thousands)</b>	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
Weighted average number of common shares used to compute basic net income per common share	195,993	150,389
Dilutive effect of warrants	5,195	2,827
Dilutive effect of stock options and restricted stock units	3,938	2,983
Weighted average number of common shares used to compute diluted net income per common share	205,126	156,199
Outstanding stock options having no dilutive effect, not included in above calculation	1,358	2,438
Outstanding warrants having no dilutive effect, not included in above calculation	21,667	24,037

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On February 11, 2008, the Company 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. The purchase price consists of an upfront payment in the amount of Australian dollars (AUD) 920,000 and a potential milestone payment amounting to a maximum of up to AUD 400,000 which will become due upon the accomplishment of certain revenue targets in the 12 month period following the acquisition. On May 2, 2008, the Company established QIAGEN Mexico via the acquisition of certain assets of the Company's former life science distributor Quimica Valaner. The establishment of QIAGEN Mexico represents the Company's commitment to expanding its presence in Latin America. The Company does not consider these acquisitions to be material.

*Restructuring of Acquired Businesses*

The Company has undertaken restructuring activities at businesses acquired in 2007. These activities, which were accounted for in accordance with EITF Issue No. 95-3, Recognition of Liabilities in Connection with a Purchase Business Combination, (EITF Issue No. 95-3) have primarily included reductions in staffing levels and the abandonment of excess facilities. In connection with these restructuring activities, as part of the cost of acquisitions, the Company established reserves as detailed below, primarily for severance and excess facilities. In accordance with EITF Issue No. 95-3, the Company finalizes its restructuring plans no later than one year from the respective dates of the acquisitions. Upon finalization of restructuring plans or settlement of obligations for less than the expected amount, any excess reserves are reversed with a corresponding decrease in goodwill. Accrued acquisition expenses are included in accrued and other liabilities in the accompanying balance sheet.

Changes in the acquisition accrual for the period ended March 31, 2008 are as follows:

(in thousands)	Relocation, severance and employee related	Lease and facility	Other	Total
ACCRUAL BALANCE AT DECEMBER 31, 2007	\$ 2,310	\$ 1,561	\$ 152	\$ 4,023
Amounts accrued	166		75	241
Amounts paid in cash or settled	(240)	(392)	(158)	(790)
ACCRUAL BALANCE AT MARCH 31, 2008	\$ 2,236	\$ 1,169	\$ 69	\$ 3,474

**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 control. The Company monitors changes in circumstances that may require a reassessment of the level of control. 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.

During 2007, the Company made an initial investment of \$747,000 in Dx Assays Pte Ltd, a joint venture with Bio\*One Capital. The Company's investment represents a 33.3% interest in Dx Assays Pte Ltd. Dx Assays expects to be one of the first centers in Singapore for assay development in which molecular diagnostics for infectious and genetic diseases will be developed. The center is expected to be fully operational in 2008. In the first quarter of 2008, the Company made a \$1.4 million loan to Dx Assays which bears interest at 15% and is due in March 2013.

*Variable Interest Entities* FASB revised Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46 (R)) 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.



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Since November 1999, the Company has had a 50% interest in a joint venture company, PreAnalytiX GmbH, for which the Company is not the primary beneficiary within the provisions of FIN 46 (R). 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 joint venture entity reported net profit for the three-month period ended March 31, 2008.

The Company has a 100% interest in QIAGEN Finance (Luxembourg) S.A. (QIAGEN Finance) and QIAGEN Euro Finance (Luxembourg) S.A. (Euro Finance), companies established for the purpose of issuing convertible debt in 2004 and 2006, respectively. In August 2004, the Company issued \$150.0 million of 1.5% Senior Convertible Notes (2004 Notes) due in 2024 through QIAGEN Finance. In May 2006, the Company completed the offering of \$300.0 million 3.25% Senior Convertible Notes (2006 Notes) due in 2026 through Euro Finance. The proceeds of the 2004 and 2006 Notes were loaned to subsidiaries within the consolidated QIAGEN N.V. group. QIAGEN N.V. has guaranteed all of these Notes, and has agreements with each of QIAGEN Finance and Euro Finance to issue common shares to the investors in the event of conversion of any of the Notes. According to the provisions of FIN 46 (R), QIAGEN Finance and Euro Finance are variable interest entities. The Company is not the primary beneficiary, therefore neither is consolidated. Accordingly, the 2004 and 2006 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. QIAGEN N.V. accounts for its investments in QIAGEN Finance and Euro Finance as equity investments pursuant to Accounting Principles Board Opinion No. 18, and accordingly records 100% of the profit or loss of QIAGEN Finance and Euro Finance in the gain or loss from equity method investees. At present, the Company's maximum exposure to loss as a result of its involvement with QIAGEN Finance and Euro Finance is limited to the Company's share of losses from the equity method investments.

**7. Fair Value Measurements**

Effective January 1, 2008, the Company adopted SFAS 157, Fair Value Measurements (SFAS 157), which requires the Company to define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. SFAS 157 clarifies the fair value measurement objective within U.S. generally accepted accounting principles and its application under the varying pronouncements that require or permit fair value measurements. SFAS 157 establishes 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 financial assets and liabilities subject to SFAS 157 consist of investments in privately held companies, derivative contracts used to hedge currency risk on foreign denominated loans, and foreign currency exchange options used to manage potential losses from foreign currency exposures. There were no changes in valuation techniques during the three months ended March 31, 2008.

**Derivatives and Hedging**

The Company accounts for its derivative instruments in accordance with SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities and related guidance which require that an entity recognize all derivatives as either assets or liabilities in 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. Derivative instruments are classified in Level 2 of the fair value hierarchy.

The Company has forward and swap arrangements totaling \$44.0 million which qualify for hedge accounting as cash flow hedges of foreign currency denominated intercompany loans. These contracts effectively fix the exchange rate at which the intercompany loans will be settled, so that gains or losses on the forward contracts offset the losses or gains from changes in the value of the underlying intercompany loans. The Company has determined that no ineffectiveness exists related to these derivatives. The contracts mature in July 2011 and had fair market values at March 31, 2008 and December 31, 2007 of approximately \$8.5 million and \$5.1 million, respectively, which are included in other long-term liabilities in the accompanying consolidated balance sheets. During the three months ended March 31, 2008, \$3.4 million of realized loss was included in other income (expense), net and \$2.7 million of net unrealized loss was included in other accumulated comprehensive income.



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In the ordinary course of business, the Company purchases foreign currency exchange options to manage potential losses from foreign currency exposures. These options give the Company the right, but not the obligation, to purchase foreign currencies in exchange for U.S. dollars at predetermined exchange rates. The principal objective of such options 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 fair market values of these options totaled approximately EUR 493,000 (\$780,000) at March 31, 2008 and EUR 1.0 million (\$1.5 million) at December 31, 2007, respectively, which are included in other liabilities in the accompanying consolidated balance sheets. Gains or losses from changes in the fair market values are included in other income (expense), net. The 2007 options expired in January 2008 and a loss of EUR 981,000 (or approximately \$1.4 million) was realized.

Unrealized gains and losses related to hedging contracts are included in other accumulated comprehensive income. Realized gains and losses are included in other income (expense), net.

**8. Debt**

The Company has seven separate lines of credit with aggregate borrowing availability of approximately \$166.9 million with variable interest rates, of which insignificant amounts were utilized at March 31, 2008 and December 31, 2007.

At March 31, 2008 and December 31, 2007, long-term debt totaled approximately \$950.0 million, none of which was current. Long-term debt consists of the following:

<b>(in thousands)</b>	
\$500 million note payable bearing interest at LIBOR plus 0.07%, or 3.404% and 5.545% at March 31, 2008 and December 31, 2007, respectively, due on July 12, 2012, with payments beginning in 2009	\$ 500,000
Notes payable to QIAGEN Euro Finance bearing interest at an effective rate of 4.2% due in November 2012	300,000
Notes payable to QIAGEN Finance bearing interest at an effective rate of 1.95% due in July 2011	150,000
 Total long-term debt	 950,000
Less current portion	
 Long-term portion	 \$ 950,000

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 an aggregate amount of \$750 million in the form of (1) a \$500 million term loan, (2) a \$100 million bridge loan, and (3) a \$150 million revolving credit facility. Under the agreement, the \$500 million term loan will mature in July 2012 with an amortization schedule commencing July 2009. The \$100 million bridge loan was utilized and repaid within the third quarter of 2007. 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 any patents to third parties and the maintenance of certain financial ratios. The Company was in compliance with these covenants at March 31, 2008.



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In May 2006, the Company completed the offering of the 2006 Notes due in 2026 through a new unconsolidated subsidiary Euro Finance. The net proceeds of the 2006 Notes were loaned by Euro Finance to consolidated subsidiaries of the Company. At March 31, 2008, \$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 fixed interest rate of 4.2% 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.

In August 2004, the Company completed the sale of the 2004 Notes, 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 March 31, 2008, \$150.0 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 fixed interest rate of 1.95% 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 11.9 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 stock 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.

**9. Inventories**

The components of inventories consist of the following as of March 31, 2008 and December 31, 2007:

(in thousands)	March 31, 2008	December 31, 2007
Raw materials	\$ 28,965	\$ 26,855
Work in process	41,375	35,894
Finished goods	28,755	25,597
 Total inventories	 \$ 99,095	 \$ 88,346

**Table of Contents**10. Intangible Assets

The following sets forth the intangible assets by major asset class as of March 31, 2008 and December 31, 2007:

(in thousands)	March 31, 2008		December 31, 2007	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<b>Amortized Intangible Assets:</b>				
Patent and license rights	\$ 223,291	\$ (30,862)	\$ 216,871	\$ (24,557)
Developed technology	348,058	(39,545)	345,213	(30,412)
Customer Base and Trademarks	143,774	(13,638)	142,152	(10,160)
	\$ 715,123	\$ (84,045)	\$ 704,236	\$ (65,129)
<b>Unamortized Intangible Assets:</b>				
Goodwill	\$ 1,113,354		\$ 1,107,882	

The changes in the carrying amount of goodwill for the three months ended March 31, 2008 resulted from foreign currency translation and purchase price adjustments, related to tax matters in connection with 2007 acquisitions.

Amortization expense on intangible assets totaled approximately \$16.4 million and \$3.4 million for the three-month periods ended March 31, 2008 and 2007, respectively. Amortization of intangibles for the next five years is expected to be approximately:

(in thousands)	
2009	\$ 65,389
2010	\$ 64,842
2011	\$ 64,264
2012	\$ 63,014
2013	\$ 61,681

11. Income Taxes

The provision for income taxes for the three-month periods ended March 31, 2008 and 2007 is based upon the estimated annual effective tax rates. 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 up to approximately 42%. The German tax rate decreased to 30% for 2008 from 39% in 2007. Thus, in 2008, an increasing portion of pre-tax income is attributable to subsidiaries with lower effective tax rates as compared to 2007. In the three-month period ended March 31, 2008, the effective tax rate was 26% compared to the effective tax rate of 32% in the three-month period ended March 31, 2007.

The Company assesses uncertain tax positions in accordance with FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of SFAS 109 (FIN 48). At March 31, 2008, the Company's unrecognized tax benefits totaled approximately \$11.4 million, of which \$9.0 million in benefits, if recognized, would favorably affect our effective tax rate in any future period.

It is possible that approximately \$3.9 million of the unrecognized tax benefits may be released during the next 12 months. This amount relates predominantly to transfer pricing, tax losses carried forward and uncertain tax positions as a result of the Company's reorganization efforts in 2002. These matters are expected to be settled either in the course of ongoing negotiations or when the statutes of limitations expire. We cannot reasonably estimate the range of the potential outcomes from these matters.

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. With few exceptions, the Company is no longer

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subject to income tax examinations by tax authorities for years before 2004.

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The Company has undistributed earnings in foreign subsidiaries. Upon repatriation of those earnings, in the form of dividends or otherwise, in some jurisdictions the Company would be subject to withholding taxes payable to the foreign countries. For those subsidiaries where the earnings are considered to be permanently reinvested, no provision for taxes has been provided. In other cases the Company has accrued for such taxes.

12. Shareholders' Equity

The following tables detail the changes in shareholders' equity from December 31, 2007 to March 31, 2008 and from December 31, 2006 to March 31, 2007, respectively:

(in thousands, except for number of shares)	Common Shares		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
BALANCE AT DECEMBER 31, 2007	195,335,076	\$ 2,175	\$ 925,597	\$ 388,779	\$ 75,024	\$ 1,391,575
Net income				20,333		20,333
Proceeds from subscription receivables			150			150
Unrealized (loss), net on forward contracts					(2,658)	(2,658)
Realized loss, net on forward contracts					3,379	3,379
Realized (gain), net on marketable securities					(780)	(780)
Translation adjustment					27,536	27,536
Issuance of common shares in connection with stock plan	957,887	14	5,965			5,979
Issuance of common shares in connection with eGene	3,466	1	62			63
Share-based compensation			2,178			2,178
Tax benefit of employee stock plans			3,291			3,291
BALANCE AT MARCH 31, 2008	196,296,429	\$ 2,190	\$ 937,243	\$ 409,112	\$ 102,501	\$ 1,451,046

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(in thousands, except for number of shares)	Common Shares		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
BALANCE AT DECEMBER 31, 2006	150,167,540	\$ 1,535	\$ 178,656	\$ 344,739	\$ 41,235	\$ 566,165
Net income				19,867		19,867
Proceeds from subscription receivable			110			110
Unrealized (loss), net on marketable securities					(26)	(26)
Unrealized gain, net on forward contracts					45	45
Realized loss, net on forward contracts					363	363
Translation adjustment					4,579	4,579
Cumulative effect due to the adoption of uncertain tax positions				(6,984)		(6,984)
Issuance of common shares in connection with stock plan	342,211	4	2,509			2,513
Share-based compensation			327			327
Tax benefit of employee stock plans			535			535
BALANCE AT MARCH 31, 2007	150,509,751	\$ 1,539	\$ 182,137	\$ 357,622	\$ 46,196	\$ 587,494

13. Comprehensive Income

The components of comprehensive income for the three-month periods ended March 31, 2008 and 2007 are as follows:

(in thousands)	Three Months Ended March 31,	
	2008	2007
Net income	\$ 20,333	\$ 19,867
Net realized (gain) on marketable securities	(780)	
Net unrealized (loss) on marketable securities		(26)
Net unrealized gain (loss) on forward contracts	(2,658)	45
Net realized loss on forward contracts	3,379	363
Foreign currency translation gain adjustments	27,536	4,579
Comprehensive income	\$ 47,810	\$ 24,828

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The following table is a summary of the components of accumulated other comprehensive income as of March 31, 2008 and December 31, 2007:

(in thousands)	March 31, 2008	December 31, 2007
Net unrealized gain on marketable securities	\$	\$ 780
Net unrealized gain on forward contracts, net of tax of \$314 and \$512 in 2008 and 2007, respectively	1,946	1,225
Net unrealized (loss) on pension, net of tax of \$67 in 2008 and 2007	(157)	(157)
Foreign currency translation adjustments	100,712	73,176
<b>Accumulated other comprehensive income</b>	<b>\$ 102,501</b>	<b>\$ 75,024</b>

14. **Commitments and Contingencies****Contingent Consideration Commitments**

Pursuant to the purchase agreements for certain acquisitions, the Company could be required to make additional contingent cash payments totaling up to \$23.7 million based on the achievement of certain revenue and operating results milestones as follows: \$6.7 million in 2008, \$4.0 million in 2010, and \$13.0 million payable in any 12 month period from now until 2010 based on the accomplishment of certain revenue targets, the launch of certain products or the grant of certain patent rights.

**Contingencies**

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 March 31, 2008 appropriately reflects the estimated cost of such warranty obligations. The changes in the carrying amount of warranty obligations during the three-month period ended March 31, 2008 are as follows:

(in thousands)	
BALANCE AT DECEMBER 31, 2007	\$ 1,621
Provision charged to income	748
Usage	(502)
Adjustments to previously provided warranties, net	50
Currency translation	(23)
<b>BALANCE AT MARCH 31, 2008</b>	<b>\$ 1,894</b>

**Litigation**

From time to time, the Company may be party to legal proceedings incidental to its business. As of March 31, 2008, certain claims, suits or legal proceedings arising out of the normal course of business have been filed or were pending against the Company or its subsidiaries. These matters have arisen in the ordinary course and conduct of the Company's business, as well as through acquisition.

As a result of the third quarter 2007 acquisition of Digene Corporation, the Company is now involved in various claims and legal proceedings including protection of its owned and licensed intellectual property. Although it is not possible to predict the outcome of such litigation, based on the facts known to the Company and after consultation with legal counsel, management believes that such litigation will not have a material adverse effect on the Company's financial position or results of operations.



**Table of Contents*****Digene Corporation v. Third Wave Technologies, Inc.***

On January 11, 2007, Digene filed a patent infringement action against Third Wave Technologies, Inc. (Third Wave) in the United States District Court for the Western District of Wisconsin. In this action, Digene alleges that Third Wave is infringing one or more claims of United States Patent No. 5,643,715 (the '715 patent), of which Digene is the exclusive licensee. On February 28, 2007, Third Wave filed an answer to Digene's complaint, in which Third Wave denied infringing the claims of the '715 patent. Third Wave further asserted counterclaims against Digene alleging violations of federal antitrust laws pursuant to Sections 1 and 2 of the Sherman Act, the Clayton Act, and the Robinson-Patman Act. In response, on April 5, 2007, Digene filed a reply denying all of Third Wave's counterclaims. A claim construction hearing was held on June 22, 2007 and the court issued two opinions construing the asserted claims. In light of the court's construction of the claims at issue, Digene believes that it cannot meaningfully pursue its infringement action against Third Wave at the district court level. On October 19, 2007, Digene filed a Motion for Summary Judgment, seeking judgment against Third Wave's antitrust claims. The Court granted Digene's Motion on January 11, 2008, dismissing all of Third Wave's antitrust counterclaims. On February 25, 2008, Third Wave withdrew the only remaining claim on the issue of exceptional case. The Court entered final judgment on February 29, 2008. Both QIAGEN and Third Wave have filed separate appeals to the Federal Circuit. QIAGEN expects its opening brief to be due on June 11, 2008. A hearing date has not been set. QIAGEN intends to vigorously pursue its patent infringement claim on appeal, and defend itself against any appeal by Third Wave.

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

There is a pending arbitration filed by Digene against F. Hoffmann-LaRoche Ltd. and Roche Molecular Systems, Inc. (collectively Roche) in December of 2006 for breach of contract of a 1990 Cross License Agreement between Digene and Roche for rights to certain HPV patents. Digene claims that Roche has breached this license agreement by entering into an alleged Supply and Purchase Agreement with Gen-Probe, Inc. (Gen-Probe) in violation of the terms of the Cross License Agreement which has a prohibition against further sublicensing. On July 13, 2007, the arbitration Panel granted Gen-Probe's request to intervene as a respondent in the arbitration. On August 27, 2007, Digene filed its First Amended Demand for Arbitration to include claims against both Roche and Gen-Probe. Thereafter, on September 6, 2007 both Roche and Gen-Probe filed their Statement of Defense denying the allegations and asserting counterclaims against Digene. Roche alleges that Digene interfered with its business relations and violated Digene's duties of good faith and fair dealing owed to Roche under the license agreement by bringing this lawsuit. Digene has denied Roche's claims while asserting Roche's counterclaims fail to state a cause of action. Gen-Probe contends that the Purchase and Supply Agreement with Roche is not made invalid by the prohibition on sublicenses contained in the Digene/Roche Cross License Agreement.

On October 13, 2007, Roche and Gen-Probe filed a Motion for Summary Judgment (the Motion) alleging that the Purchase and Supply Agreement with Roche does not violate the CLA and that they are entitled to judgment as a matter of law. QIAGEN filed its response to the Motion on November 30, 2007 and a hearing was held on January 17, 2008 in New York. On January 29, 2008, the Panel denied the Motion and found that genuine issues of material fact exist with respect to each of the claims on which Roche and Gen-Probe sought summary disposition. On February 29, 2008, QIAGEN filed a motion requesting leave to file a Second Amended Arbitration Demand adding two new causes of action against Roche. Digene's new counts relate to a claim that Roche intentionally interfered with Digene's business relationship with Gen-Probe and a Declaration of Rights declaring that Roche does not have the rights in the 1990 Cross License it purports to have because the transaction in which Roche allegedly obtained those rights was invalid. On March 11, 2008, Gen-Probe filed its own motion to Amend its Statement of Defense and Counterclaims seeking to change the caption of the case to reflect Digene's merger with QIAGEN and to add QIAGEN as a party to the arbitration and to add an eighth affirmative action defense alleging that as a result of the merger with QIAGEN, Digene has no standing to prosecute this arbitration. On April 4, 2008, the arbitration panel granted Digene's motion to add its count with respect to Roche's interference but denied it leave to add a count directed to Roche's rights in the Cross License at this stage of the proceedings. The panel also denied Gen-Probe's motion to add QIAGEN as a party and change the caption of the case, but granted it leave to add its eighth affirmative defense. The trial before the panel is scheduled for October 27, 2008 to November 14, 2008. QIAGEN intends to vigorously pursue this case.



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The Company manages its business based on the locations of its subsidiaries. Therefore, reportable segments are based on the geographic locations of the subsidiaries. The Company's reportable segments include the Company's production, manufacturing and sales facilities located throughout the world. In addition, the Company's corporate segment includes its holding company located in The Netherlands and two subsidiaries located in Germany which operate only in a corporate support function. The reportable segments derive revenues from the Company's entire product and service offerings. It is not practicable to provide a detail of revenues for each group of similar products and services offered by the Company.

Summarized financial information concerning the Company's reportable segments is shown in the following tables:

(in thousands) Net Sales	Three Months Ended March 31,	
	2008	2007
North America	\$ 237,641	\$ 88,586
Germany	79,365	59,878
Switzerland	17,340	11,691
Asia	21,470	17,159
Rest of World	43,117	33,384
Corporate	535	83
Subtotal	399,468	210,781
Intersegment Elimination	(192,362)	(82,902)
Total	\$ 207,106	\$ 127,879

Net sales are attributed to countries based on the location of the Company's subsidiary generating the sale. QIAGEN operates manufacturing facilities in Germany, Switzerland, China and the United States that supply products to other countries. The sales from these manufacturing operations to other countries are included in the Net Sales of the countries in which the manufacturing locations are based. The intercompany portions of such net sales of a reportable segment are excluded through the intersegment elimination to derive consolidated net sales.

(in thousands) Intersegment Sales	Three Months Ended March 31,	
	2008	2007
North America	\$ (131,269)	\$ (38,561)
Germany	(46,293)	(35,663)
Switzerland	(14,205)	(8,090)
Asia	(538)	(476)
Rest of World	(57)	(112)
Total	\$ (192,362)	\$ (82,902)

Intersegment sales are generally accounted for by a formula based on local list prices or manufacturing costs and eliminated in consolidation.

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(in thousands)	Three Months Ended March 31,	
Operating Income (Loss)	2008	2007
North America	\$ 22,079	\$ 11,516
Germany	18,342	13,392
Switzerland	(1,298)	74
Asia	1,340	2,163
Rest of World	6,113	5,763
Corporate	(2,006)	(1,986)
Subtotal	44,570	30,922
Intersegment Elimination	(11,532)	(2,126)
Total	\$ 33,038	\$ 28,796

The Corporate component of operating loss is primarily general and administrative expenses, including share-based compensation costs. The intersegment elimination represents primarily the elimination of intercompany profit.

Assets (in thousands)	March 31, 2008	December 31, 2007
North America	\$ 1,900,410	\$ 2,122,875
Germany	460,912	459,761
Switzerland	103,826	97,730
Asia	87,495	80,987
Rest of World	130,100	119,470
Corporate	1,841,605	1,862,963
Subtotal	4,524,348	4,743,786
Intersegment Elimination	(1,682,102)	(1,968,612)
Total	\$ 2,842,246	\$ 2,775,174

Assets of Corporate include cash and cash equivalents, investments, prepaid assets and certain intangibles. The intersegment elimination represents intercompany investments and advances.

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**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 the 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. Reference is made in particular to the description of our plans and objectives for future operations, assumptions underlying such plans and objectives, and other forward-looking statements. 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. As a result, 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 in Part I, Item 3 under the heading "Risk Factors" in our Annual Report on Form 20-F for the year ended December 31, 2007, which could materially affect our business, financial condition or future results of operations. The risks described in our Annual Report on Form 20-F 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.

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### ***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. Assay technologies are then used to make specific target biomolecules, such as the DNA of a specific virus, visible for subsequent analysis. Our products are considered standards in areas, such as pre-analytical sample preparation and assay solutions in research for life sciences, applied testing and molecular diagnostics.

We have developed more than 500 consumable products and automated solutions. We sell these products to academic research markets, leading pharmaceutical and biotechnology companies, and molecular diagnostics laboratories as well as customers in applied testing markets, 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 markets that we believe have the greatest sales potential including but not limited to the United States, Germany, the United Kingdom, Switzerland, France, Japan, Australia, Canada, Italy, and throughout Asia. We also have specialized independent distributors and importers. We employ more than 2,700 people in over 30 locations worldwide.

Since 2002, we have had a compound annual growth rate of approximately 17% in net sales and 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 July 2007, we completed the acquisition of Digene Corporation (NASDAQ: DIGE) through a tender offer and subsequent merger of Digene with and into a wholly owned subsidiary of QIAGEN N.V. Following the completion of the merger, Digene became a wholly owned subsidiary of QIAGEN North American Holdings, Inc. and was subsequently renamed QIAGEN Gaithersburg, Inc. The merger combined our leading portfolio of sample and assay technologies, including a broad panel of molecular diagnostic tests, with Digene's leadership in HPV-targeted molecular diagnostic testing, creating a global leader in molecular diagnostics outside blood screening and viral load monitoring.

In July 2007, we completed our acquisition of eGene, Inc. (OTCBB: EGEE) pursuant to which eGene became a wholly-owned subsidiary of QIAGEN North American Holdings, Inc. eGene is an early-stage company located in Irvine, California that has developed and is commercializing a patented sample separation and analysis technology based on capillary electrophoresis.

On a consolidated basis, operating income increased to \$33.0 million in the three-month period ended March 31, 2008 from \$28.8 million in the same period of 2007. Our financial results include the contributions of our recent acquisitions, as well as the costs related to the acquisitions and integrations, including charges for purchased in-process research and development, and costs related to the relocation and closure of our facilities in Norway, Canada and Fremont, California. 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.

We manage our business based on the locations of our subsidiaries. Therefore, reportable segments are based on the geographic locations of our subsidiaries. Our reportable segments include our production, manufacturing and sales facilities located throughout the world. In addition, the Corporate segment includes our holding company located in The Netherlands and two subsidiaries located in Germany which operate only in a corporate support function. The reportable segments derive revenues from our entire product and service offerings. Our Luxembourg subsidiaries, QIAGEN Finance (Luxembourg) S.A., or QIAGEN Finance, and QIAGEN Euro Finance (Luxembourg) S.A., or Euro Finance, which were established as the financing vehicles for the issuance of convertible debt, are not consolidated.

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The following table sets forth operating income by segment for the three months ended March 31, 2008 and 2007. Further segment information can be found in Note 15 in the accompanying financial statements.

(in thousands) Operating Income (Loss)	Three Months Ended March 31,	
	2008	2007
North America	\$ 22,079	\$ 11,516
Germany	18,342	13,392
Switzerland	(1,298)	74
Asia	1,340	2,163
Rest of World	6,113	5,763
Corporate	(2,006)	(1,986)
Subtotal	44,570	30,922
Intersegment Elimination	(11,532)	(2,126)
Grand Total	\$ 33,038	\$ 28,796

In the first quarter of 2008, operating income in North America increased compared to the same period in 2007, primarily due to the 2007 acquisitions. The United States experienced an increase in sales; however, expenses in North America, including the amortization of the acquired intangibles, were also higher as a result of the 2007 acquisitions and ongoing integration efforts.

In Germany, operating income was higher in the first quarter of 2008 compared to the first quarter of 2007 primarily due to an increase in sales.

In Switzerland, the decrease in operating income in the first quarter of 2008 as compared to the same period in 2007 was primarily due to an increase in instrumentation sales offset by an increase in research and development expense.

The net decrease in operating income in our Asia segment is primarily due to an increase in operating expense in China at our new China sales office, located in Shanghai.

The operating income increase in our Rest of World segment is primarily due to increased sales in the first quarter of 2008 as compared to the same period in 2007 resulting from acquisitions and organic growth.

**First Quarter Ended March 31, 2008 compared to 2007****Net Sales**

In the first quarter of 2008, net sales increased 62% to \$207.1 million compared to \$127.9 million in the first quarter of 2007. Net sales are attributed to countries based on the location of the subsidiary recording the sale. Our first quarter 2008 net sales include the results of operations of Digene and eGene, which were acquired after the first quarter of 2007. In the first quarter of 2008, net sales in Germany increased 37%, net sales in Asia increased 25%, primarily driven by Singapore, China, and Korea, net sales in North America increased 113% and net sales in Rest of World increased 29%. The increase in sales in each of these regions was the result of an increase in sales of our consumable and instrumentation products, which experienced growth rates of 68% and 11%, respectively, in the first three months of 2008 as compared to the same period in 2007. The increase in sales includes organic growth (10%), sales from our recently acquired businesses (43%), and the impact of foreign exchange rates (9%).

We regularly introduce new products in order to extend the life of our existing product lines as well as to address new market opportunities. To date in 2008, we have launched 19 new products in the area of sample & assay technologies including the QIAxcel for fully automated capillary electrophoresis to separate and analyze DNA, RNA and proteins, the QIASymphonySP, the first system of a novel modular processing platform which can be integrated to automate entire workflows and the EZ1 Advanced, the next generation of our successful EZ1 for the fully automated low throughput sample preparation with prefilled cartridges. In addition we launched a number of assay technologies, including two tests for the applied testi