



QIAGEN N.V.
Venlo, The Netherlands

Annual Report 2012

QIAGEN N.V.

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Report of the Supervisory Board

To our Shareholders

The Supervisory Board wishes to thank all QIAGEN employees and members of the Executive Committee for the achievements of 2012, a year in which QIAGEN accelerated its pace of innovation and growth amid challenging economic conditions. We would also like to thank our shareholders, customers, business partners and other stakeholders for honoring QIAGEN with your continued collaboration and trust.

QIAGEN made significant progress during 2012 on strategic initiatives to drive innovation and growth. These actions led to growth for QIAGEN's products across all of our customer classes and regions. Multiple growth drivers are building momentum as we move into 2013. QIAGEN is expanding its leadership in Personalized Healthcare through its position as the partner of choice for molecular companion diagnostics as well as by building its molecular diagnostics assay portfolio. Growing placements of our QIASymphony automation platform are enabling the dissemination of molecular testing, while our QuantiFERON-TB test is improving the standard of care for latent tuberculosis (TB). Innovation goals for 2013 include entry into targeted areas of next-generation sequencing with workflow solutions for clinical research and human healthcare, as well as advancing our R&D pipeline of more than 35 molecular diagnostic assay projects. QIAGEN continues to improve efficiency and effectiveness, especially capabilities to address the needs of customers. The Supervisory Board is convinced that QIAGEN is well-positioned to achieve its goals for 2013 and fulfill its mission of making improvements in life possible.

As empowered by the Dutch Corporate Governance Code, the Supervisory Board devoted considerable time in 2012 to discussing QIAGEN's corporate strategy, main risks and opportunities, and an annual assessment by the Managing Board of the design and effectiveness of internal risk management and control systems as well as any significant changes in them. In addition, the Supervisory Board discussed and reviewed the functioning of its committees and individual members, its current composition, competence, succession schedule and desired profile in various meetings. The Supervisory Board came to the conclusion that it and the Managing Board were functioning properly.

The composition of the Managing Board changed during 2012 through the departure of two members - Dr. Joachim Schorr and Mr. Bernd Uder - after significant tenures with QIAGEN. Dr. Schorr joined QIAGEN in 1992 and was appointed Senior Vice President Research and Development and a Managing Director in 2004, while Mr. Uder joined QIAGEN in 2001 and was appointed Senior Vice President Sales and Marketing and a Managing Director in 2004. The Supervisory Board would like to express our highest appreciation to Dr. Schorr and Mr. Uder for their important contributions to the success of QIAGEN and wish them all the best for their future endeavors. The Managing Board is now composed of Mr. Peer Schatz, our Chief Executive Officer, and Mr. Roland Sackers, our Chief Financial Officer.

The composition of the Supervisory Board is set to change in 2013 through proposals that will be put forward to shareholders at the next Annual General Meeting, which is scheduled for June 26, 2013. These changes are bringing new leadership talent and expertise into the Supervisory Board as well as ensuring a smooth generational transition. Four members of the Supervisory Board - Dr. Werner Brandt, Dr. Metin Colpan, Prof. Dr. Manfred Karobath and Elizabeth E. Tallett - will stand for re-election for one-year terms at this meeting. I will also stand for re-election to the Supervisory Board, and this will be for the last time, and my intention is to step down in 2014 after having served as Chairman of the Supervisory Board since 1996. The Joint Meeting has discussed a proposal for Dr. Brandt to become Chairman of the Supervisory Board in 2014 after he retires from his current position as a member of the Executive Board of SAP AG. Dr. Brandt, who has more than 30 years of leadership experience in the healthcare and IT industries, joined the Supervisory Board in 2007, and was also appointed in the same year as Chairman of the Audit Committee.

Two current members - Mr. Eric Hornnaess and Mr. Heino von Prondzynski - will not stand for re-election in 2013. We would like to thank both Mr. Hornnaess and Mr. von Prondzynski for their many years of service, insight and contributions. In addition, we are very pleased to propose Mr. Stéphane Bancel and Mr. Lawrence A. Rosen for election as independent candidates. Mr. Bancel, currently the founding CEO of Moderna Inc., is a highly regarded healthcare industry executive and former CEO of bioMérieux SA, while Mr. Rosen is CFO of Deutsche Post-DHL and previously spent more than 20 years in leadership positions at healthcare companies. Their perspectives, international experience in healthcare and other industries, as well as their diverse business backgrounds, will be valuable resources to QIAGEN as we expand its leading position in Sample & Assay Technologies and their use in research, applied markets and molecular diagnostics. The profile of the Supervisory Board can be found on QIAGEN's website. The current composition fully complies with this profile.

In terms of composition of the Supervisory Board and the Managing Board, new Dutch legislation took effect on January 1, 2013, requiring companies to pursue a policy of having at least 30% of the seats on the Managing Board and the Supervisory Board held by men and at least 30% held by women.

QIAGEN has a long-standing commitment to developing a diverse leadership team, including the Managing Board and the Supervisory Board, with a broad range of experience, skills and capabilities. In nominating candidates for these boards, QIAGEN supports the trend toward higher participation of women. QIAGEN is committed to expanding diversity while pursuing individuals for these boards with a unique blend of scientific and commercial expertise and experience that will contribute to the future success of its business. Internally, management development programs support the career advancement of leaders regardless of gender and other factors. As a result, a number of women are in key leadership roles, particularly in commercial and operational positions around the world. In line with this long-standing commitment, the Supervisory Board will take the requirements of the Dutch law into account in the future when proposing members for election or re-election to its Board without compromising QIAGEN's commitment to hiring the best individuals for positions without any discrimination. QIAGEN's current governance structure has led to a reduction in the size of the Managing Board to two members, so achieving a diversity goal as measured solely by a percentage of overall membership is difficult to achieve. At the same time, QIAGEN has significantly increased the diversity of its senior leadership team and will continue to do so in the future.

The Supervisory Board has established an Audit Committee, a Compensation Committee and a Selection and Appointment (Nomination) Committee from among its members and can establish other committees as deemed beneficial. The Supervisory Board has approved charters under which each of the committees operates. These charters are published on our website (www.qiagen.com).

Further detailed information on the composition of the Supervisory Board and its committees, the number of committee meetings held in 2012 and the main topics of discussion, the independence of its members and their remuneration, as well as other information on the Supervisory Board, can be found in the Corporate Governance Report, which is an integral part of this Annual Report.

The Supervisory Board met seven times during 2012 with regular attendance of the members of the Managing Board for certain agenda items. The Supervisory Board also met to review and discuss agenda items in the absence of the Managing Board members, such as to review performance and strategy as well as to discuss compensation matters. We are pleased to report that all members of the Supervisory Board attended every Supervisory Board meeting in 2012. Information about the Supervisory Board members, including positions held on other boards, is included in the Corporate Governance Report. All members of the Supervisory Board had adequate time available to give sufficient attention to the concerns of the company.

Through its Compensation Committee, the Supervisory Board executed and monitored compliance with the Remuneration Policy approved at the Annual General Meeting held on June 14, 2005. Compensation of Managing Board members consists of a fixed salary and variable components. Variable compensation includes one-time and annual payments linked to business performance (bonuses) as well as long-term incentives containing risk elements, such as stock options or other equity-based compensation, and pension plans. The Remuneration Policy and the various aspects of compensation, including the detailed remuneration of individual Managing Board members, are described in the Remuneration Report, which is also available on QIAGEN's website. Information on QIAGEN's activities was communicated by the Managing Board to the Supervisory Board through regular meetings and business reports.

All members of the Supervisory Board fulfill the independence criteria as defined by the Marketplace Rules of the NASDAQ Stock Market and the Dutch Corporate Governance Code, with the exception of Dr. Metin Colpan, a founder and former CEO of QIAGEN.

QIAGEN N.V. is a company organized under the laws of the Netherlands and has an international network of subsidiaries. The Supervisory Board follows the principle of increasing shareholder value as we represent the interests of all stakeholders, including shareholders, and has always pursued the highest standards in Corporate Governance.

QIAGEN is committed to a corporate governance structure that best suits its business and stakeholders, and that complies with relevant rules and regulations. Since 1997, QIAGEN has endorsed the recommendations made in the report of the Netherlands Committee on Corporate Governance, which was replaced by the Dutch Corporate Governance Code effective January 1, 2004, and amended and restated effective January 1, 2009. Our policy is to follow the guidelines of Good Practice of Corporate Governance as described in the Dutch Corporate Governance Code, although some minor deviations may result from the impact of factors such as legal requirements imposed on QIAGEN or industry standards.

QIAGEN is also subject to the rules regarding Corporate Governance set by NASDAQ, where its common shares have been listed since 1996. In addition, QIAGEN has adopted the standards set by the Corporate Governance Code of Germany, where its common shares have been listed since 1997. QIAGEN provides detailed disclosure in the Corporate Governance Report regarding compliance with the German and Dutch Corporate Governance Codes.

QIAGEN believes all of its operations are carried out in accordance with legal frameworks, including Dutch Corporate Law, U.S. laws and regulations, and the laws of the German capital market, in particular the Wertpapierhandelsgesetz.

QIAGEN's common shares are registered and traded in the U.S. on the NASDAQ Global Select Market and in Germany on the Frankfurt Stock Exchange in the Prime Standard segment. Shareholders in the U.S. and Europe hold the majority of common shares. Among topics the Supervisory Board discussed during 2012 were strategies for allocation of capital to enhance returns to shareholders, and a \$100 million share repurchase program was launched in late 2012.

In this Annual Report, the financial statements for 2012 are presented as prepared by the Managing Board, audited by Ernst & Young LLP (Independent Registered Public Accounting Firm), and examined and approved by the Supervisory Board.

Venlo, the Netherlands, April 22, 2013

Prof. Dr. Detlev H. Riesner

Chairman of the Supervisory Board

Management Report

Operations and Business Environment

Company 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 (deoxyribonucleic acid), RNA (ribonucleic acid) 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.

Our mission is to make improvements in life possible by enabling our customers to achieve outstanding success and breakthroughs in Molecular Diagnostics, Applied Testing, Pharma and Academia. QIAGEN began operations in 1986 by introducing to the emerging biotechnology sector a novel method that standardized and dramatically accelerated the extraction and purification of nucleic acids-biological molecules such as DNA and RNA that are essential for life as carriers of genetic information. Since the introduction of that first ready-to-use kit, QIAGEN has expanded to become the global leader with a broad offering of molecular technologies, including related automated systems.

Our products are used in virtually all areas of science focused on advancing knowledge about the molecular basis of life. QIAGEN has become a trusted partner by enabling customers to obtain exciting insights with products that are considered standards for quality and reliability. More than one billion biological samples are estimated to already have been prepared or analyzed using QIAGEN technologies in laboratories around the world. Net sales of \$1.25 billion in 2012 were composed of consumable kits and other revenues (87% of sales) and automated systems and instruments (13% of sales).

QIAGEN has leveraged its leadership position in Sample & Assay Technologies to build a strong global position in Molecular Diagnostics, now our largest customer class, accounting for 49% of net sales in 2012. The commercial applications of molecular technologies are transforming healthcare by providing highly specific genetic information to guide prevention and treatment strategies.

With a focus on innovation, QIAGEN markets more than 500 core products that are distributed in thousands of variations and combinations. Innovative products are continually being introduced to address new market opportunities or extend the life of existing product lines. We have made a number of strategic acquisitions to enhance our technology and product offerings. We have funded our growth through internally generated funds as well as through debt offerings and private and public sales of equity securities. QIAGEN shares are listed on the NASDAQ exchange under the ticker symbol "QGEN" and on the Frankfurt Prime Standard as "QIA."

The company is registered under its commercial and legal name QIAGEN N.V. with the trade register (*kamer van koophandel*) of the Dutch region Limburg Noord under file number 12036979. QIAGEN N.V. is a public limited liability company (*naamloze vennootschap*) under Dutch law as a holding company. Our principal executive office is located at Spoorstraat 50, 5911 KJ Venlo, The Netherlands, and our telephone number is +31-77-320-8400.

As a holding company, QIAGEN conducts business through subsidiaries located throughout the world. Further information about QIAGEN can be found at www.qiagen.com. By referring to our website, we do not incorporate the website or any portion of the website by reference into this Annual Report.

Recent Developments

QIAGEN achieved a number of recent strategic milestones in the development of our business:

- In May 2012, we acquired AmniSure International LLC, 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, approved in the U.S. and many other markets, is expected to be catalytic for our Point of Need portfolio and beneficial to our presence in women's health. AmniSure provided a new growth driver for QIAGEN in 2012 as we integrated this Point of Need product into our commercial operations.
- In June 2012, we unveiled an initiative to enter the next-generation sequencing (NGS) market by creating an innovative sample-to-result NGS workflow designed to enable the routine use of this breakthrough technology in

areas such as clinical research and molecular diagnostics. Adoption of NGS beyond life science research has been hampered by workflow challenges related in part to the larger number of samples processed in clinical settings. Our highly automated NGS offering will integrate a range of QIAGEN consumable and automation solutions, as well as components accessed through partnerships or acquired, including our acquisition of Intelligent Bio-Systems, Inc. in early 2012. Development of our unique GeneReader NGS benchtop sequencer, addressing many challenges for customers in clinical research and diagnostics, is on track. In late 2012 and early 2013, QIAGEN has launched 15 NGS products, all “universal” or compatible with any NGS platform, to enhance pre-analytical sample preparation, DNA library preparation and detection of targeted cancer genes. We plan to begin placing QIAGEN NGS workflows with selected customer groups during 2013.

- A landmark addition of test content was achieved in July 2012 when we received U.S. regulatory approval for our *therascreen*[®] KRAS RGQ PCR Kit, which provides guidance on the use of Erbitux[®] (cetuximab) as a treatment in patients with metastatic colorectal cancer. Leading U.S. laboratories covering approximately half of the current KRAS testing volumes in the U.S. adopted the *therascreen*[®] KRAS test by year end. The first *therascreen*[®] companion diagnostic approved by the Food and Drug Administration (FDA) marked a milestone in global expansion of our Personalized Healthcare franchise, building on success in Europe and Japan, where we offer a range of companion diagnostics. In January 2012, for example, our *therascreen*[®] EGFR Mutation Detection Kit RGQ was approved in Japan to guide treatment of cancers targeted by certain anticancer drugs. In late 2012, the *therascreen*[®] EGFR RGQ PCR Kit was submitted to the FDA to guide treatment with afatinib, an investigational oncology compound developed by Boehringer Ingelheim that was granted FDA priority review status in January 2013.
- Our QIASymphony platform achieved several milestones as placements exceeded the target of 750 by year-end 2012. In July 2012, one of the modules in the QIASymphony family, the Rotor-Gene Q MDx real-time PCR cyclers, received U.S. regulatory approval for use with our KRAS companion diagnostic kit, following approval earlier in the year to run our influenza A/B test kits. Also in July, the QIASymphony RGQ platform received validation from an independent food safety group, the AOAC Research Institute, to run our *mericon*[®] Salmonella spp. kit in an automated workflow from food sample to final result. In 2012, China's State Food and Drug Administration (SFDA) approved QIASymphony SP for automated sample preparation and QIASymphony AS for assay setup workflows. With the 2010 SFDA clearance of the Rotor-Gene Q real-time PCR thermocycler, QIAGEN now offers customers in China the full QIASymphony RGQ modular system.
- In September 2012, our emerging Point of Need franchise reached a milestone with the first regulatory approval in healthcare for the ESEQuant Lateral Flow System, a portable platform that QIAGEN acquired in 2010 and is developing for multiple applications. Under an agreement with Lepu Medical Technology (Beijing) Co., Ltd., a leading medical device company in China, the ESEQuant instrument will be deployed in emergency rooms to provide rapid results from Lepu's tests for cardiac markers - diagnosing acute myocardial infarction (heart attack) without sending samples out to a laboratory.
- In October 2012, we announced a collaboration with Bayer HealthCare for development and commercialization of companion diagnostics paired with novel Bayer drugs, initially to enhance the treatment of various solid tumors. The assays under development will be designed to run on our QIASymphony family of automated instruments. In addition to the Bayer collaboration, we have a significant number of projects under way to co-develop and market companion diagnostics with leading pharmaceutical and biotech companies.
- In November 2012, we announced China's SFDA approved QIAGEN's *careHPV* Test and instrument platform, the first molecular diagnostic for human papillomavirus, or HPV, designed for low-resource clinical settings, such as areas lacking electricity, water or modern laboratories. Following product availability for *careHPV* in China in January 2013, we expect to introduce it in India and other emerging markets as approvals are received. In March 2012, we expanded access to our *digene* HPV Test across China through a co-marketing agreement with KingMed Diagnostics, China's largest independent laboratory network. The *digene* HPV Test was first registered in China in 2000 and is widely available in many of the country's top-tier hospitals and private labs. The KingMed agreement extends access to smaller hospitals, with KingMed functioning as a centralized laboratory.
- In January 2013, we announced three agreements to add biomarkers to our development pipeline for new companion diagnostics to guide treatment decisions in diseases such as rheumatoid arthritis, lung cancer and colorectal cancer. Most of the assays will be designed to run on the QIASymphony RGQ automation system, as well as our NGS workflow currently in development.

- In February 2013, we announced a master collaboration agreement with Eli Lilly and Company for the development and commercialization of companion diagnostics for pairing with Lilly investigational and approved medicines across all therapeutic areas. The agreement creates a framework for expanding QIAGEN and Lilly's existing collaboration to development of additional potential products.

Our Products

QIAGEN holds leadership positions in a wide range of customer classes for Sample & Assay Technologies. We offer more than 500 core consumable products (known as “kits”) as well as a number of instrument solutions to fully automate the processing of almost all QIAGEN products used for sample preparation and subsequent analysis. The terms “Sample” and “Assay” Technologies define two phases of the process of unlocking valuable molecular information from raw biological materials, predominantly in digital form:

Sample Technologies: QIAGEN has developed and advanced a broad range of technologies to extract and purify molecules of interest from biological samples such as blood, bone, tissue, etc. QIAGEN technologies ensure that a biological sample is consistently processed in a highly reproducible, standardized method with the highest level of quality before entering subsequent analysis with assay technologies.

Assay Technologies: Building on its leadership in sample technologies, QIAGEN has developed assay technologies that enable the analysis of various kinds of molecules from virtually any biological sample. Assay technologies make information contained in isolated molecules visible and available for interpretation. Assays are tailor-made to address the specific demands of various research areas and commercial applications. Laboratory-Developed Test (LDT) assays enable the customer to target molecules of interest for detection using reagents in the kit on platforms such as polymerase chain reaction (PCR). Commercially approved assays are preconfigured by QIAGEN to test for specific targets such as genetic mutations, gene expression levels, influenza, human papillomavirus (HPV), tuberculosis (TB), hepatitis and herpes viruses, or human immunodeficiency virus (HIV).

These technologies provide two main categories of revenue streams for QIAGEN:

Revenues from consumables and related sales:

Consumable products, typically sample preparation or test kits and related sales, account for approximately 85-90% of our net sales. To maximize customer convenience and reduce user error, these kits contain all necessary reagents and buffers, and a manual including protocols and relevant background information. Each kit is sufficient to support a number of applications, varying from one to more than 1,000 tests.

Major applications for QIAGEN consumable products are plasmid DNA purification, RNA purification and stabilization; genomic and viral nucleic acid purification; nucleic acid transfection; PCR amplification; reverse transcription; DNA cleanup after PCR and sequencing; DNA cloning and protein purification. Our validated PCR assays enable detection of viral or bacterial pathogens and parasites in humans and animals, as well as pharmacogenomic testing and genotyping.

Our largest-selling product is the *digene* HC2 HPV Test, a signal-amplified test regarded as the “gold standard” in testing for high-risk strains of HPV, the primary cause of cervical cancer in women.

Related revenues include royalties, milestone payments from co-development agreements with pharmaceutical companies for companion diagnostics, payments from technology licenses and patent sales. We also have revenue from custom services, such as whole genome amplification services, DNA sequencing, and non-cGMP DNA production on a contract basis.

Automation platforms and instruments:

Our instrumentation systems automate the use of Sample & Assay Technologies into efficient solutions for a broad range of laboratory needs. These platforms, which account for approximately 10-15% of net sales, enable customers to perform reliable and reproducible nucleic acid sample preparation, assay setup, target detection and other laboratory tasks.

QIAGEN offers automated platforms for all phases of testing, from sample to result. Among them:

QIASymphony is an innovative, easy-to-use modular system that is making laboratory workflows more efficient and helping to disseminate standardized, regulator-approved diagnostics. The platform offers many

features of interest to laboratories, such as continuous loading, random access, and the ability to process an almost unlimited range of sample types. QIASymphony received the Association for Laboratory Automation's New Product Award (NPA) following its introduction in 2008. In late 2010, we launched QIASymphony RGQ, an integrated system that has started a new era of integrated workflow consolidation and laboratory automation, covering all steps from initial sample processing to final result. QIASymphony RGQ gives customers access to a broad menu of commercially available assays while also allowing them to run their own PCR-based LDTs, which account for more than half of the volume of tests performed in many molecular diagnostic laboratories. In 2012, the installed base of QIASymphony systems increased to more than 750 instruments worldwide, up from more than 550 at year-end 2011.

Rotor-Gene Q, the world's first rotary real-time PCR cycler system, uses real-time PCR reactions to make specific sequences of DNA and RNA visible through amplification and quantifiable through real-time measurement. This system enhances QIAGEN's options to offer sample and assay technology solutions spanning from sample to result, and is an integral part of the QIASymphony RGQ system.

QIAensemble is a mid- to high-throughput automation platform for rapid turnaround of higher volumes of tests used for preventive screening, particularly for pathogens such as HPV. QIAGEN is developing automation upgrades to QIAensemble based on the current Rapid Capture System, as well as next-generation capabilities and expanded test menus. In late 2011 we launched QIAensemble Decapper, the first instrument to automate the handling of liquid-based cytology and other liquid samples in clinical laboratories - saving money and time by eliminating a series of tedious steps.

PyroMark is a high-resolution detection platform based upon Pyrosequencing technology that allows for the real-time analysis and quantification of genetic mutations and DNA methylation patterns down to the single base pair level. This enables users to identify even previously unknown mutations or variations in targeted DNA regions. This technology also can be employed in multiplex analysis for genetic and pathogen detection. Pyrosequencing plays a pivotal role in epigenetic research and also can be of great value to diagnostic laboratories running personalized healthcare and profiling assays.

QIAcube, a sample processing instrument incorporating novel and proprietary technologies, allows users to fully automate the use of almost all of our products originally designed for manual processing of samples. The QIAcube received the NPA honor in 2007.

QIAxcel, designed to take the place of traditional slab-gel analysis, can replace tedious and time-consuming methods of nucleic acid separation in low- to high-throughput laboratories. QIAxcel is characterized by unprecedented sensitivity and time to results for analysis of DNA fragments and RNA.

ESE-Quant Tube Scanners are portable, battery-operated optical measurement devices based on technology developed by ESE GmbH, a company we acquired in 2010. These UV and fluorescence detection systems enable point of need testing in healthcare and applied testing markets. The ESE technology permits low-throughput molecular testing in physician practices, emergency rooms, remote field areas, and other settings where a laboratory infrastructure is not accessible and fast turnaround is required.

Customers

From the early days of the biotechnology revolution, we believed that Sample & Assay Technologies for nucleic acids would play an increasingly important role in cutting-edge biology-and that major new commercial uses would develop for information extracted from DNA and RNA. Since 1986, we have been supplying customers with innovative proprietary products for the analysis of nucleic acids.

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

- **Molecular Diagnostics**-healthcare providers supporting many aspects of patient care including prevention, profiling of diseases, personalized healthcare and point of need testing
- **Applied Testing**-government or industry customers using molecular technologies in fields such as forensics, veterinary diagnostics and food safety testing
- **Pharma**-drug discovery, translational medicine 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

The ability of advanced diagnostic technologies to unlock molecular information from patients is changing the practice of medicine, while creating a significant and growing market for nucleic acid sample preparation and assay technology products. In recent years, the advent of PCR and other amplification technologies has brought nucleic acid-based diagnostics into routine use in healthcare around the world.

This new generation of molecular diagnostics can be used to identify microorganisms, cancer cells, bacteria and viruses by searching for their specific nucleic acid sequences or to characterize previously unknown DNA sequences related to human diseases. Commercial applications for molecular diagnostics are multiplying as researchers identify new biological markers for disease and develop novel technologies for detection and analysis of those diagnostic clues from the human body.

The molecular diagnostics market, with sales estimated by industry experts at approximately \$5 billion in 2013 is still a small part of the global *in vitro* diagnostics market, but it is the fastest growing segment at a projected compound annual growth rate of 10% or more. Market penetration is still low in the U.S., other developed countries and emerging markets. However, given the advantages of precise genetic information over traditional tests, QIAGEN expects the molecular diagnostics market to provide significant growth opportunities over the long term.

Growth in the Molecular Diagnostics customer class is built upon four strategies for fighting disease, and QIAGEN is targeting each of these fields with a range of dedicated products and tailored marketing:

Prevention-using advanced technologies to screen non-symptomatic patients as a preventive strategy, such as testing women for HPV to protect from cervical cancer or screening patients for latent TB infection to guard against active TB disease.

Profiling-screening symptomatic patients to profile the precise type of disease, for example testing patients with flu-like symptoms to confirm or rule out dangerous strains such as the influenza type A (H1N1) swine flu.

Personalized Healthcare-determining which patients are most likely to respond positively to particular therapies, such as landmark QIAGEN tests for testing the mutation status of genes such as KRAS, EGFR, BRAF and others that influence the effectiveness and safety profile of novel medicines for treatment of various cancers.

Point of Need-enabling on-site diagnosis in physician practices, emergency rooms, remote field areas, and other settings where a laboratory infrastructure is not accessible and fast turnaround is required.

We offer one of the broadest portfolios of molecular technologies for human healthcare. Success in Molecular Diagnostics depends on the ability to analyze purified nucleic acid samples from a variety of sources, including blood, tissue, body fluids and stool, on automated systems that can handle hundreds of samples concurrently. Other key factors are the range of assays targeting various diseases and biomarkers, convenience and ease of laboratory workflow, versatility, reliability and standardization of the nucleic acid processing and detection procedures.

One of the largest prevention markets is screening for HPV, a viral infection that is the primary cause of cervical cancer, which kills about 270,000 women a year worldwide. We are the global leader in HPV screening technologies, with our market-leading “gold standard” *digene* HC2 HPV Test and our emerging *care*HPV Test for use in low-resource regions of the world. In the United States, we sell our HPV products primarily for two FDA-approved indications: adjunctive primary screening with a Pap test for women age 30 and older, and follow-up testing of inconsistent Pap test results in women of any age. In Europe and the rest of the world, HPV testing is in varying stages of adoption. We are working closely with public health authorities and researchers on an increasing number of clinical trials and policy initiatives aimed at expanding the use of HPV testing for prevention or follow-up to treatment of cervical cancer.

The early-warning QuantiFERON[®]-TB Gold test, which detects latent TB infection as a strategy for the prevention of TB disease in vulnerable populations, has become an important growth driver following QIAGEN's 2011 acquisition of the product with its developer, the Australian firm Cellestis Ltd. Approximately one-third of the world's population is infected with the tuberculosis bacterium but suffers no symptoms, a condition known as latent TB. However, about 5% to 10% of those patients at some point will develop active tuberculosis, a potentially life-threatening contagious disease that typically spreads from one active patient to 10 to 20 other people. The potential global market for latent TB detection is estimated at up to \$1 billion.

In Profiling, we offer an extensive range of Sample & Assay Technologies for use in the diagnosis of patients for various infectious diseases, including HIV, hepatitis and influenza. We are expanding this portfolio of assays and intend to gain regulatory approvals for these products in various geographic regions in the coming years. In 2012, our assay for detection of Influenza A/B, the *artus* Infl A/B RG RT-PCR Kit, was approved by the FDA, to run on the Rotor-Gene Q MDx platform. A key element of our global content expansion will be the use of these assay technologies on QIASymphony RGQ.

In Personalized Healthcare, we offer companion diagnostics to guide the selection of medicines in treating cancer and

other diseases based on a broad portfolio of more than 30 biomarkers. In July 2012, QIAGEN achieved a milestone in Personalized Healthcare with FDA approval of the *therascreen*[®] KRAS RGQ PCR Kit for use in patients with metastatic colorectal cancer. The U.S. rollout of *therascreen* KRAS builds on a strong global leadership position including Japan, where regulators approved the *therascreen* KRAS and EGFR kits in 2011, and Europe, where QIAGEN offers 10 CE-marked assays for personalized healthcare applications. QIAGEN has more than 15 projects under way to co-develop and market companion diagnostics with leading pharmaceutical and biotechnology companies. We have collaborative projects with high-profile companies such as Amgen, Bayer, Boehringer Ingelheim, Bristol-Myers Squibb/ImClone, Eli Lilly, Pfizer and Sanofi. Ongoing acquisitions of biomarkers and other technologies contribute to our expanding co-development relationships. A key element of the global expansion in Personalized Healthcare is the ability of labs to efficiently use these assay technologies on QIASymphony RGQ.

We market a range of automation systems designed for low-, medium-, and high-throughput nucleic acid sample preparation and handling tasks in laboratories performing molecular diagnostics. The flagship platform is QIASymphony, based on its unique characteristics. Nucleic acid samples purified on our instruments are ready for use in the demanding and sensitive downstream assays performed in molecular diagnostic applications. We offer closed and open assay technologies. Open assay technologies contain PCR reagents to identify molecules of choice. Closed assays, diagnostics with predefined targets, include multiplexing and other pathogen or genetic mutation detection assays such as tests for HIV, tuberculosis, influenza or hepatitis. We market assays directly to end customers via our sales channels, and selected assays through major diagnostic partners with complementary customer groups. In addition, we intend to enter into partnerships or other agreements with companies to broaden the distribution of our products.

Applied Testing

Use of molecular technologies is growing in more and more areas of life as industry and government organizations apply standardized sample preparation and assay solutions to diverse needs. Applied Testing is our term for applications outside of human healthcare and research - such as human identification and forensics, food and water safety, and veterinary testing. The value of genetic “fingerprinting” has been shown for criminal investigations or clarification of paternity or ancestry, public policy compliance for food safety and genetically modified organisms (GMOs), and containment of diseases in commercial livestock. Molecular testing can be performed by well-trained researchers in fully equipped laboratories, and increasingly also by less-trained personnel provided with easy-to-use, reproducible and standardized methods for point of need testing. Our manual DNA and RNA purification methods and the automated solutions on QIASymphony, QIAcube, EZ1 Advanced, BioRobot EZ1 and other products, as well as our amplification enzymes and quantitative assays, address the needs in these markets.

Pharma

QIAGEN is a significant supplier for pharmaceutical and biotechnology companies. Drug discovery and translational research efforts increasingly employ genomic information, both to guide research in diseases and to differentiate the patient populations most likely to respond to particular therapies in clinical settings. We estimate that about half of QIAGEN sales in this customer class support research, while the remaining half of sales support clinical development processes, including the stratification of patient populations based on genetic information. QIAGEN's GeneGlobe online portal (www.geneglobe.com) offers scientists an industry-leading source of information with searchable data on 60,000 genomic technologies for disease pathways, including annotations and references, to guide research and to enable ordering from this broad portfolio of assays.

As new drugs are commercialized, testing technologies developed in parallel with those therapies can move from Pharma R&D into the healthcare market as companion diagnostics, which are marketed in our Molecular Diagnostics customer class. Healthcare professionals use companion diagnostics to customize treatment by testing for specific genetic biomarkers that help determine the safety and efficacy profiles of drugs in individual patients, achieving the best possible therapeutic results and avoiding unnecessary treatments. In the coming years, we expect a wave of newly discovered biomarkers and companion diagnostics to transform the treatment of an increasing number of diseases.

In addition to the broad portfolio of molecular technologies, QIAGEN brings to the Pharma market a full infrastructure for co-development programs, intellectual property on platforms and content, extensive regulatory experience, global reach in our sales channels, and independence as a company focusing exclusively on these types of technologies.

Academia

QIAGEN provides Sample & Assay Technologies to leading research institutions around the world. Many academic laboratories continue to utilize manual, labor intensive methods for nucleic acid separation and purification. Recognizing the

opportunity to replace traditional methods with reliable, fast, highly reproducible, and high-quality nucleic acid extraction and purification technologies, QIAGEN has concentrated product development and marketing efforts on the research markets in industry and Academia.

As academic institutions increasingly embrace translational research, bridging from discoveries to practical applications in medicine, the academic market also supports our presence in the Molecular Diagnostics and Pharma customer classes. Research in university settings often helps in the development of specific technologies for targeted biomolecules, and academic research also can result in scientific publications that validate the usefulness of QIAGEN technologies for specific applications.

Global Presence by Geographic Market

QIAGEN currently markets products in more than 100 countries. The following table shows total revenue by geographic market for the past three years (net sales are attributed to countries based on the location of the subsidiary making the sale, as certain subsidiaries have international distribution):

(in thousands)	2012	2011
Net Sales		
Americas:		
United States	\$ 518,130	\$ 466,502
Other Americas	42,921	55,137
Total Americas	<u>561,051</u>	<u>521,639</u>
Europe	459,321	444,441
Asia Pacific and Rest of World	234,084	203,667
Total	<u>\$ 1,254,456</u>	<u>\$ 1,169,747</u>

Expansion into high-potential geographic markets is a core priority. Our top seven emerging markets (Brazil, Russia, India, China, South Korea, Mexico and Turkey) represented more than 10% of net sales in 2012. We have built a presence in China with approximately 350 employees, which represents our third-largest geographic market in terms of sales. In 2012, we added subsidiaries in Russia and Poland. In 2011, new subsidiaries were created in India and Taiwan, further expanding our presence in Asia.

Strategic Initiatives

We believe the relevant global market for molecular diagnostics and life science research products totals approximately \$70 billion. Among the fundamental growth drivers in the business environment are ongoing breakthroughs and insights into molecular biology, new technologies to analyze molecular information, improvements in the quality of healthcare and reductions in cost using diagnostics, increasing demands for quality, and revenue streams made possible through consumable products.

We have grown substantially in recent years with a flexible strategy that includes developing innovative new products, partnering, and acquiring companies or technologies to complement our portfolio.

QIAGEN is pursuing four strategic initiatives that aim to:

Drive platform success. We develop innovative instruments that enable our customers to efficiently perform molecular testing in a wide range of applications. Expanding the installed base of our instruments, particularly the QIASymphony automation platform, also leads to growing sales of our consumable test kits.

Add content. We continually bring new tests to market across all customer classes, meeting urgent market needs in the diagnosis of disease, life science research and other applications. In molecular diagnostics we focus on standardized tests approved by regulatory agencies for routine use in healthcare. Expanding the menu of tests available for efficient workflow on our instruments also enhances the value of our platforms to laboratories.

Broaden geographic presence. We systematically establish and expand our presence in attractive markets around the world, especially high-growth emerging markets. We help developing countries bring state-of-the-art capabilities into their healthcare and research infrastructures. We also develop molecular technologies to meet specific needs in medicine or other applications for emerging markets such as China.

Grow efficiently and effectively. We pursue sustained growth and improved profitability through operational improvements and a culture that encourages focus, accountability and entrepreneurial decision-making. Our R&D, regional marketing and sales teams are integrated into the Molecular Diagnostics and Life Sciences business areas to connect our innovation and commercial activities directly with growing markets.

Research and Development

We are committed to expanding our global leadership in Sample & Assay Technologies. Our strategy for managing innovation focuses on addressing the most significant unmet medical and scientific needs. We target our resources to develop the most promising technologies for use by our customers in Molecular Diagnostics, Applied Testing, Pharma and Academia – and to meet the needs of healthcare professionals and scientists in key geographic markets.

Innovation at QIAGEN follows parallel paths:

- Creating new systems for automation of workflows – platforms for laboratories, hospitals and other users of these novel molecular technologies.
- Expanding our broad portfolio of “content” – in particular, novel assays to detect and characterize molecular structures and biomarkers for disease or genetic identification.

Our research and development investments are among the highest compared to other companies in our industry. Approximately 700 employees in research and development work in eight centers of excellence on four continents. Our comprehensive intellectual property portfolio spans more than 1,000 granted patents and more than 900 pending applications.

Innovations in instrumentation are strengthening our leadership in the automation of laboratories, driving dissemination of molecular technologies in healthcare and other fields, and generating increased demand for our consumable products. We continue to extend our modular, medium-throughput QIASymphony platform, enabling hospitals and other customers to adopt or greatly expand their use of molecular diagnostics. QIASymphony RGQ, designed to allow fully integrated processing from initial sample to final result, has expanded the QIASymphony installed base since the launch of the fully integrated system in late 2010. We plan to integrate modules in the future for specialized needs such as next-generation sequencing. In late 2011, we launched the QIAensemble Decapper, the first instrument that automates the tedious process of handling liquid clinical sample vials, enhancing our high-throughput QIAensemble platform. In 2012, we announced an initiative to develop a new platform for NGS with the workflow characteristics needed to expand NGS from its current focus in life science research into widespread use in healthcare and clinical research. We plan a phased market entry of this platform in 2013.

We are commercializing a deep pipeline of content: molecular assays for preventive screening and diagnostic profiling of diseases, tests for important biomarkers to guide personalized cancer therapies, and assays for a broad range of other targets. The rollout of QIASymphony RGQ is accompanied by an extensive development program involving assays for Molecular Diagnostics and other customer classes. U.S. regulatory submissions made in 2012 include a companion diagnostic for a new cancer drug targeting EGFR (epidermal growth factor receptor) and our pre-molecular assay for cytomegalovirus infection (CMV) in transplant patients. In Applied Testing, QIAGEN continues to develop new content for human identification, food safety and veterinary diagnostics. We are also expanding our extensive portfolio of products for disease pathway research by Pharma and Academic customers. In addition, we are developing assays for specific applications in key markets such as China and Japan. The total combined addressable markets for our current assay development portfolio approach \$1 billion in potential annual sales.

In addition, we are investing in co-development of companion diagnostics for personalized healthcare through projects with pharmaceutical and biotech companies. These programs typically begin with development of targeted assays to assist our customers in the clinical development of new drugs by identifying patient populations most likely to respond favorably to specific therapies. The collaborations have potential to develop into companion diagnostics marketed commercially along with the new drugs.

Sales and Marketing

We market our products in more than 100 countries throughout the world. We have established subsidiaries in markets we believe have the greatest sales potential in the Americas, Europe, Australia and Asia. We have established a network of experienced personnel who sell our products and provide direct support to customers. A significant number of marketing and sales staff members are experienced scientists with academic degrees in molecular biology or related areas. In addition, business managers oversee relationships with key accounts to ensure that we are serving their needs on the commercial side, such as procurement systems, financing arrangements, data on the costs and value of our systems, and collaborations among organizations. We also have specialized independent distributors and importers in many markets.

Our marketing strategy focuses on providing high-quality products that offer customers unique value, coupled with

commitment to technical excellence and customer service. We have developed a range of marketing tools to provide customers with direct access to technical support and to inform them of new product offerings, as well as to enhance our reputation for technical excellence, high-quality products and commitment to customer service. One such tool is our technical service hotline, which allows existing or potential customers to discuss a wide range of technical questions regarding our products and related molecular biology procedures, via phone or e-mail, with Ph.D. and M.Sc. scientists in our technical service group. Frequent communication with customers enables us to identify market needs, gain early insight into new developments and business opportunities, and address them with new products.

Our GeneGlobe online portal (www.geneglobe.com) has become a valuable outreach to life science researchers in Pharma and Academia by providing an industry-leading resource on disease pathways, biomarkers and genomic information. GeneGlobe provides searchable, annotated data on 60,000 pathway and gene-related technologies, with links to order products related to each avenue of investigation.

We also distribute several publications, including our catalog, to existing and potential customers worldwide, providing new product information, product updates, and articles by customers and by our scientists about existing and new applications. Our website (www.qiagen.com) contains a full online product catalog and ordering system, as well as a host of support tools, scientific design tools and other resources. We have full Japanese and Chinese language versions of our website, and some information is available on our site in French, German and Korean to support these markets. Information contained on our website, or accessed through it, is not part of this Annual Report. In addition, we hold numerous scientific seminars to present technical information at leading clinical, academic and industrial research institutes worldwide. We conduct direct marketing campaigns to announce new products or offer special promotions, and we offer personalized electronic newsletters with useful information for molecular biology applications.

In addition to keeping customers informed of new product offerings, we offer an inventory consignment program. The QIAcabinet is a storage cabinet owned by us and placed in customer laboratories at their request. Stocked with our products, the QIAcabinet offers customers the convenience of immediate access, reducing reorder procedures and shipping costs. We monitor cabinet inventory and bill the customers at regular intervals as products are used. QIAcabinet increases our visibility in the laboratory and helps maintain our competitive position, while reducing distribution costs.

Seasonality

Our business does not experience significant, predictable seasonality. Historically, a significant portion of our sales have been to researchers, universities, government laboratories and private foundations whose funding is dependent upon grants from government agencies, such as the National Institutes of Health and similar bodies. To the extent that our customers experience increases, decreases or delays in funding arrangements and budget approvals, and to the extent that any of our customers' activities are slowed, such as during times of higher unemployment, vacation periods or delays in the approval of government budgets, including the U.S. federal government's budget, we may experience fluctuations in sales volumes during the year or delays from one period to the next in the recognition of sales.

Intellectual Property, Proprietary Rights and Licenses

We have made and expect to continue to make investments in intellectual property. In 2012, our purchases of intangible assets totaled \$26.1 million. While we do not depend solely on any individual patent or technology, we are significantly dependent in the aggregate on technology that we own or license. Therefore, we consider protection of proprietary technologies and products one of the major keys to our business success. We rely on a combination of patents, licenses and trademarks to establish and protect proprietary rights. As of December 31, 2012, we owned 193 issued patents in the United States, 143 issued patents in Germany and 767 issued patents in other major industrialized countries. We have over 972 pending patent applications. Our policy is to file patent applications in Western Europe, the United States and Japan. U.S. patents have a term of 17 years from the date of issue (for patents issued from applications submitted prior to June 8, 1995), or 20 years from the date of filing (in the case of patents issued from applications submitted on or after June 8, 1995). Patents in most other countries have a term of 20 years from the date of filing the patent application. We intend to aggressively prosecute and enforce patents and to otherwise protect our proprietary technologies. We also rely on trade secrets, know-how, continuing technological innovation and licensing opportunities to develop and maintain our competitive position.

Our practice is to require employees, consultants, outside scientific collaborators, sponsored researchers and other advisers to execute confidentiality agreements upon commencement of their relationships with us. These agreements provide that all confidential information developed by or made known to the individual during the course of the relationship is to be kept confidential and not disclosed to third parties, subject to a right to publish certain information in scientific literature in certain circumstances and to other specific exceptions. In the case of our employees, the agreements provide that all inventions conceived by individuals in the course of their employment will be our exclusive property.

See the discussion within "Principle Risks and Uncertainties" below for details regarding risks related to our reliance on patents and proprietary rights.

Competition

In the Academic and Pharmaceutical markets, we believe our primary competition in sample technology products involves traditional separation and purification methods, such as phenol extraction, cesium chloride density gradient centrifugation, and precipitation. These methods utilize widely available reagents and other chemicals supplied by companies such as Sigma-Aldrich Corp. and Roche Diagnostics GmbH (Applied Sciences Division). We compete with these methods through our innovative technologies and products, which offer a comprehensive solution for nucleic acid collection, pre-treatment, separation and purification needs and provide significant advantages in speed, reliability, convenience, reproducibility and ease of use.

We also experience competition in various markets from other companies providing sample preparation products in kit form and assay solutions. These competitors include, but are not limited to, Promega Corp., EMD Millipore or Merck Millipore, and Macherey-Nagel GmbH for nucleic acid separation and purification; Life Technologies Corp. and Promega Corp. for assay solutions and for transfection reagents; and Sigma-Aldrich Corp. and Fisher Scientific for protein fractionation products. We believe our proprietary technologies and products offer significant advantages over competitors' products with regard to purity, speed, reliability and ease-of-use.

The medical diagnostics and biotechnology industries are subject to intense competition. In our HPV franchise within our molecular diagnostics customer class, we face competition from well-established diagnostic technologies, such as cytology, and from emerging HPV testing approaches, such as signal amplified testing, research-based PCR, other indicators of disease and other traditional testing methods developed by laboratories. Our competitors include companies such as Roche Diagnostics GmbH and Hologic, Inc., which have been marketing FDA-approved HPV testing products in the U.S. in recent years. We expect competition to intensify, but our leading position in the HPV market is supported by our marketing efforts and the data supporting our *digene* HPV Test. We believe we have a competitive advantage driven by the fact that close to 90 million of these tests have been distributed worldwide as well as a multitude of clinical trials encompassing more than one million women. These clinical trial results, many of which have been published in peer-reviewed journals such as the New England Journal of Medicine, have validated that our HPV test products, used alone or in conjunction with the Pap test, demonstrate high clinical sensitivity and high negative predictive value for diagnosis of cervical disease and cancer. In addition to the industry-leading clinical performance of our assay, our automation systems offer other competitive benefits, for the high-volume HPV testing market, including performance and reliability, ease of use, standardization, cost, proprietary position and regulatory approvals. The QIAensemble Decapper, a unique instrument that automates time-consuming manual steps for handling liquid sample vials, was added for the U.S. market in late 2011. A number of major U.S. customers for HPV screening products operate under multiyear contracts with us, in which we provide competitive pricing and other benefits.

Some of our other products within our molecular diagnostics customer class, such as tests for Chlamydia, Gonorrhea, hepatitis B virus, herpes simplex virus and CMV, compete against existing screening, monitoring and diagnostic technologies, including tissue culture and antigen-based diagnostic methodologies. Our competitors for gene-based diagnostic probes include Roche Diagnostics, Abbott, Siemens and Hologic. We believe the primary competitive factors in the market for gene-based probe diagnostics and other screening devices are clinical validation, performance and reliability, ease of use, standardization, cost, proprietary position, competitors' market shares, access to distribution channels, regulatory approvals and availability of reimbursement.

We do not believe our competitors have the same comprehensive approach to Sample & Assay Technologies as we do or the ability to provide the broad range of technologies and depth of products and services that we offer. With our complete range of manual and fully automated solutions, we believe we offer the value of standardization of procedures and, therefore, more reliable results. We also believe our integrated strategic approach gives us a competitive advantage. The quality of sample preparation-an area in which we have a unique market and leadership position-is a key prerequisite for reliable molecular assay solutions, which increasingly are being applied in emerging markets such as Molecular Diagnostics and Applied Testing.

Current and potential competitors may be in the process of seeking FDA or foreign regulatory approvals for their respective products. Our continued future success will depend in large part on our ability to maintain our technological advantage over competing products, expand our market presence and preserve customer loyalty. There can be no assurance that we will be able to compete effectively in the future or that development by others will not render our technologies or products non-competitive.

Suppliers

As part of our quality assessment procedures, we periodically evaluate the performance of our raw material and

component suppliers, potential new alternative sources of such materials and components, and the risks and benefits of reliance on our existing suppliers. We buy materials for our products from many suppliers, and are not dependent on any one supplier or group of suppliers for our business as a whole. Raw materials generally include chemicals, raw separation media, biologics, plastics and packaging. Raw materials are generally readily available at competitive, stable prices from a number of suppliers. Certain raw materials are produced under our specifications, so we closely monitor stock levels to maintain adequate supplies. We believe we maintain inventories at a sufficient level to ensure reasonable customer service levels and to guard against normal volatility in availability.

Government Regulations

We are not subject to direct regulation other than regulation generally applicable to businesses pursuant to various laws and regulations in effect in the different jurisdictions in which we operate, including laws and regulations applicable to environmental matters, such as the handling and disposal of hazardous wastes.

Our research and development activities involve the controlled use of small amounts of hazardous materials, chemicals and radioactive compounds. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by applicable regulations, such as the United States Occupational Safety and Health Administration's, or OSHA, Hazard Communication and Occupational Exposure to Hazardous Chemicals in Laboratories standards, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result, and any such liability could have a material adverse effect on us.

We also comply with the OSHA Bloodborne Pathogens standard and the Center for Disease Control/National Institutes of Health Biosafety in Microbiological and Biomedical Laboratories standards for the handling of biological materials and comply with the United States Department of Transportation and International Air Transport Association regulations for the shipping of our kits which contain materials classified as hazardous. There are other federal, state and local laws and regulations applicable to our business, including those of the United States Environmental Protection Agency and the Maryland Department of the Environment. However, we do not expect that compliance with governmental regulations to which we are subject will have a material effect on our capital expenditures, earnings or competitive positions.

International sales of *in vitro* diagnostic (IVD) and other medical devices are subject to the regulatory requirements of each country or defined economic region, such as the European Union. The regulatory review process varies from country to country and many countries also impose product standards, packaging requirements, labeling requirements and import restrictions on devices.

In the United States, IVDs are regulated by the FDA as medical devices. Medical devices are classified into one of three classes on the basis of the controls deemed by the FDA to be necessary to reasonably ensure their safety and effectiveness. Class I devices are subject to general controls, including labeling, premarket notification and adherence to FDA's quality system regulations, which are device-specific good manufacturing practices. Class II devices are subject to general controls and special controls, including performance standards and postmarket surveillance. Class III devices are subject to most of the previously identified requirements as well as to premarket approval. Class I devices are exempt from premarket submissions to the FDA; most Class II devices require the submission of a 510(k) premarket notification to the FDA; and Class III devices require submission of a premarket approval application, or PMA. Most *in vitro* diagnostic kits are regulated as Class I or Class II devices and are either exempt from premarket notification or require a 510(k) submission.

A 510(k) notification must demonstrate that a medical device is substantially equivalent to another legally marketed device, termed a "predicate device," that is legally marketed in the United States and for which a PMA was not required. A device is substantially equivalent to a predicate device if it has the same intended use and technological characteristics as the predicate, or has the same intended use but different technological characteristics, where the information submitted to the FDA does not raise new questions of safety and effectiveness and demonstrates that the device is at least as safe and effective as the legally marketed device. Most 510(k)s do not require clinical data for clearance, but a minority will. The FDA is supposed to issue a decision letter within 90 days of receipt of the 510(k) if it has no additional questions or send a first action letter requesting additional information within 75 days. Requests for additional data, including clinical data, will increase the time necessary to review the notice. If the FDA does not agree that the new device is substantially equivalent to the predicate device, the new medical device is automatically classified as a Class III device for which a PMA will be required. However, the sponsor may petition the FDA to make a risk-based determination that the device does not pose the type of risk associated with Class III devices and down-classify the device to Class I or Class II.

Class III devices, such as our HC2 HPV test, require the submission and approval of a PMA prior to product sale. The PMA process is more complex, costly and time consuming than the 510(k) process. A PMA must be supported by more detailed and comprehensive scientific evidence, including clinical data, to demonstrate the safety and efficacy of the medical device for

its intended purpose. If the device is determined to present a “significant risk,” the sponsor may not begin a clinical trial until it submits an investigational device exemption, or IDE, to the FDA and obtains approval from the FDA to begin the trial. After the PMA is submitted, the FDA has 45 days to make a threshold determination that the PMA is sufficiently complete to permit a substantive review. If the PMA is complete, the FDA will file the PMA. The FDA is subject to a performance goal review time for a PMA of 180 days from the date of filing, although in practice this review time is longer. Questions from the FDA, requests for additional data and referrals to advisory committees may delay the process considerably. The total process may take several years, and the FDA may also request additional clinical data as a condition of approval or after the PMA is approved. Product changes after approval typically require a supplemental submission with FDA review cycles ranging from 30 to 180 days.

Any products manufactured or distributed pursuant to FDA clearances or approvals are subject to pervasive and continuing regulation by the FDA, including recordkeeping requirements, reporting of adverse experiences with the use of the device, and restrictions on advertising and promotion. Device manufacturers are required to register their establishments and list their devices with the FDA and are subject to periodic inspections by the FDA and certain state agencies. Noncompliance with applicable FDA requirements can result in, among other things, warning letters, fines, injunctions, civil penalties, recalls or seizures of products, total or partial suspension of production, refusal of the FDA to grant 510(k) or PMA approval for devices, withdrawal of 510(k) clearances and/or PMA approvals, or criminal prosecution.

Some of our test kits are sold for research use only in the United States. We do not promote these tests for clinical diagnostic use, and they are labeled “For Research Use Only” or RUO, as permitted by FDA regulations.

Receipt and maintenance of regulatory authorization to market and sell our products is vital to future success. In addition to seeking regulatory authorizations for our products, we work with other companies to seek regulatory clearance or approval for use of their products to provide the specimens necessary to perform our diagnostic tests. The time, money and resources required for new product clearances or approvals by the FDA and foreign authorities is unpredictable, and the necessary approvals or clearances may not be granted on a timely basis or at all. Delays or failure to receive such approvals or clearances could have a material adverse effect on our business, financial condition and results of operations.

The Physician Payment Sunshine Act, or Sunshine Act, which was enacted as part of the Affordable Care Act, or ACA, requires applicable manufacturers of drugs, devices, biologicals, or medical supplies covered under Medicare, Medicaid or the Children's Health Insurance Program, to report annually to the Secretary of the Department of Health and Human Services payments or other transfers of value made by that entity, or by a third party as directed by that entity, to physicians and teaching hospitals, or to third parties on behalf of physicians or teaching hospitals, during the course of the preceding calendar year. The Final Rule implementing the Sunshine Act, published on February 8, 2013, requires data collection on payments to begin on August 1, 2013. The first annual report, comprised of data collected from August 1, 2013 to December 31, 2013, is due March 31, 2014. Failure to comply with the reporting requirements can result in significant civil monetary penalties ranging from \$1,000 to \$10,000 for each payment or other transfer of value that is not reported (up to a maximum per annual report of \$150,000) and from \$10,000 to \$100,000 for each knowing failure to report (up to a maximum per annual report of \$1 million). We will be required to collect data on these payments and report such payments.

Recent U.S. legislation has been enacted to improve transparency and accountability concerning the sourcing of conflict minerals” from mines located in the conflict zones of the Democratic Republic of Congo (DRC) and its adjoining countries. The term conflict minerals currently encompasses tantalum, tin, tungsten (or their ores) and gold. Certain of our instrumentation product components which we purchase from third party suppliers do contain gold. This U.S. legislation requires manufacturers, such as us, to investigate our supply chain and disclose if there is any use of conflict minerals originating in the DRC or adjoining countries. We are currently evaluating the potential impact of, and developing an implementation strategy for, this legislation.

Organizational Structure

QIAGEN N.V. is the holding company for more than 50 consolidated subsidiaries, many of which have the primary function of distributing our products and services on a regional basis. Certain subsidiaries also have research and development or production activities. A listing of our significant subsidiaries and their jurisdictions of incorporation is included in Note 30, 'Consolidated Companies.'

Description of Property

Our production and manufacturing facilities for consumable products are located in Germany, the United States, China, France, and the United Kingdom. Our instrument production facilities are located in Switzerland. In recent years, we have made investments in automated and interchangeable production equipment to increase our production capacity and improve efficiency. Our production and manufacturing operations are highly integrated and benefit from sophisticated inventory control. Production management personnel are highly qualified, and many have advanced degrees in engineering, business and science.

We also have installed and continue to expand production-planning systems that are included in our integrated information and control system based on the SAP R/3 business software package from SAP AG. Worldwide, we use SAP software to integrate most of our operating subsidiaries. Capital expenditures for property, plant and equipment totaled \$102.0 million and \$86.8 million for 2012 and 2011, respectively.

We have an established quality system, including standard manufacturing and documentation procedures, intended to ensure that products are produced and tested in accordance with the FDA's Quality System Regulations, which impose current Good Manufacturing Practice (cGMP) requirements. For cGMP production, special areas were built in our facilities in Hilden, Germany, and Germantown and Gaithersburg, Maryland. These facilities operate in accordance with cGMP requirements.

The consumable products manufactured at QIAGEN GmbH in Germany, and QIAGEN Sciences, Inc. and QIAGEN Gaithersburg, Inc., both in Maryland, are produced under ISO 9001: 2000, ISO 13485:2003 for Medical Devices, and ISO 13485:2003 CMDCAS, and the EC Directive 98/79/EC for medical devices. QIAGEN Instruments AG in Switzerland, which produces the majority of our instrumentation product line, is also ISO 9001: 2000 and 13485:2003 certified. Our certifications form part of our ongoing commitment to provide our customers high-quality, state-of-the-art Sample & Assay Technologies and to the development of our Total Quality Management system.

Our facilities in Hilden, Germany, currently occupy a total of approximately 755,000 square feet, some of which is leased pursuant to separate contracts, the last of which expires in 2018. Our production capacity is increased through our manufacturing and research facilities in the United States. QIAGEN Sciences, LLC owns a 27-acre site in Germantown, Maryland. The 285,000 square foot Germantown facility consists of several buildings in a campus-like arrangement and is intended to accommodate over 500 employees. There is room for future expansion of up to 300,000 square feet of facility space. We lease a facility in Gaithersburg, Maryland, comprising a total of 150,000 square feet and 40,000 square feet in Frederick, Maryland for manufacturing, warehousing, distribution and research operations.

In 2009, we purchased additional land adjacent to our facility in Hilden, Germany, for EUR 2.5 million (approximately \$3.2 million) and began construction to further expand our facilities for research and development and production. In 2010, we began construction on expansion of our research, production and administrative space in Germantown, Maryland. While the construction in Germany is complete, the U.S. expansion projects are expected to continue into 2013, with both projects estimated at a total cost of approximately \$94.0 million, of which \$86.4 million had been incurred as of December 31, 2012. We anticipate being able to fund these expansions with cash generated by operating activities.

Other subsidiaries throughout the world lease smaller amounts of space. Our corporate headquarters are located in leased office space in Venlo, The Netherlands.

We believe our existing and planned production and distribution facilities can support anticipated production needs for the next 36 months. Our production and manufacturing operations are subject to various federal, state, and local laws and regulations including environmental regulations. We do not believe we have any material issues relating to these laws and regulations.

Operating and Financial Review and Prospects for the Period from January 1, 2012 to December 31, 2012

Results of Operations, Financial Position

Overview

We are the world's leading provider of innovative Sample & Assay Technologies, based on independent market studies of United States and European market shares for our products and technologies. Our automated systems and consumable products empower customers to transform raw biological samples into valuable molecular information. Sample technologies are used to 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**- government or industry customers using molecular technologies in fields such as forensics, veterinary diagnostics and food safety testing

- **Pharma**-drug discovery and development efforts of pharmaceutical and biotechnology companies
- **Academia**-researchers exploring the secrets of life such as the mechanisms and pathways of diseases, and in some cases translating that research into drug targets or commercial applications

We market products in more than 100 countries throughout the world. We have established subsidiaries in markets we believe have the greatest sales potential, including countries throughout Europe, Asia, the Americas and Australia. We also work with specialized independent distributors and importers. As of December 31, 2012, we employed approximately 4,000 people in more than 35 locations worldwide.

In 2012, operating income on a consolidated basis was \$171.2 million, an increase from \$30.3 million in 2011, which in turn was an 85% decline compared from \$196.5 million in 2010. The 2011 decline was due to the impact of a restructuring-related charge in the fourth quarter of 2011.

We have delivered five-year compound annual growth rates of approximately 14% in net sales and 9% in net income through 2012, as reported under U.S. GAAP. 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 2010, 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 NGS market, including our early 2012 acquisition of Intelligent Bio-Systems, Inc., which added important expertise and innovative technologies in this emerging field. Our NGS initiative aims to expand next-generation sequencing technologies from the current focus on life science research into routine use in clinical research and molecular diagnostics. The expected sample-to-result workflows will incorporate a next-generation benchtop sequencer, 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. New bioinformatics, including NGS solutions from a new collaboration with SAP AG, will handle clinical data produced in next-generation sequencing. Our new NGS platform is expected to be phased into the market in 2013.
- In May 2012, we acquired AmniSure International LLC, 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 our Point of Need portfolio.
- In August 2011, we acquired Cellestis Ltd., an Australian company that created the proprietary “pre-molecular” QuantiFERON[®] technology. The early-warning QuantiFERON[®]-TB Gold test, which detects latent tuberculosis (TB) infection as a strategy for the prevention of active TB disease in vulnerable populations, has become an important growth driver in 2012. Also in 2012, we submitted the QuantiFERON[®]-CMV test to the FDA for use in diagnosing cytomegalovirus (CMV).
- 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. Through a public tender offer for the remaining shares, we had acquired 89% of the shares of Ipsogen by year-end 2012. We intend to fully acquire Ipsogen through future public offers. Effective January 1, 2013, Ipsogen was renamed QIAGEN Marseille and its sales and distribution networks were integrated with our commercial operations.
- In January 2010, we acquired ESE GmbH, now QIAGEN Lake Constance GmbH, a German developer and manufacturer of portable, battery-operated, “ultra-fast time to result” multiplex UV and fluorescence optical measurement devices. ESE’s systems for point of need testing in healthcare and applied testing enable low-throughput molecular testing in physician practices, emergency rooms, remote field areas, and other settings where a laboratory infrastructure is not accessible and fast turnaround is required.

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

We determined that we still operate as one business segment in accordance with IFRS 8 *Operating Segments*. As a result of our continued restructuring and streamlining of the growing organization, our chief operating decision maker (CODM) makes decisions with regards to business operations and resource allocation based on evaluations of QIAGEN as a whole. Accordingly, we operate as one business segment.

Year Ended December 31, 2012, Compared to 2011

Net Sales

In 2012, net sales increased 7% to \$1.25 billion compared to \$1.17 billion in 2011. This increase in net sales was driven by business expansion in all customer classes - particularly Molecular Diagnostics and Applied Testing - and all geographic regions. Contributions from the acquisitions of Ipsogen (until July 2012), Cellestis (until August 2012) and AmniSure (acquired in May 2012) provided six percentage points of total growth, and the rest of our portfolio provided four percentage points. Currency movements had a negative impact of three percentage points on reported sales growth. In 2012, consumable and related revenues, which represent approximately 87% of total sales, increased 7% as compared to 2011. Sales of instrumentation products, which represent 13% of net sales, increased 7% in 2012. Instrument sales benefited during 2012 from demand for a broad range of QIAGEN instruments. We exceeded our 2012 goal for more than 200 new placements of the QIASymphony automation platform, reaching an installed base of more than 750 platforms. Approximately 70% of total QIASymphony placements as of the end of 2012 have been with Molecular Diagnostics customers, primarily through reagent rental agreements where revenues are recognized over a multiyear period. Demand also has been strong among Applied Testing customers.

The Asia-Pacific / Japan region (+14% growth, 19% of sales) grew at a robust pace in 2012 on improving demand in China, Japan and our top emerging markets which include India and Korea. Results in the Europe / Middle East / Africa region (+2% growth, 33% of sales) advanced on higher sales in northern European countries and growth in all customer classes. The Americas (+8% growth, 47% of sales) rose on higher contributions from Molecular Diagnostics and Applied Testing, more than offsetting lower HPV sales in the region.

In Molecular Diagnostics, which represents approximately 49% of net sales, we achieved an increase of 13% of net sales in 2012 compared to 2011. Healthcare-related sales advanced in 2012, driven by new products and solid demand for instruments, particularly the QIASymphony automation platform. In Prevention, the QuantiFERON-TB test (acquired with Cellestis in 2011) achieved growth in 2012 on initiatives in the U.S. and Europe to drive greater use of this new test for latent tuberculosis (TB). Full-year 2012 sales of products used in HPV testing performed in line with expectations, as steady volumes in the U.S. were more than offset by pricing pressure from the implementation of multiyear customer agreements. Personalized Healthcare delivered ongoing strong growth on global demand for the *therascreen* portfolio of companion diagnostic kits - particularly the KRAS test launched in mid-2012 after FDA approval for use in metastatic colorectal cancer patients - as well as higher revenues from co-development projects with pharmaceutical companies. In Point of Need, the AmniSure assay for premature rupture of fetal membranes in pregnant women provided important contributions after its acquisition in May 2012.

In Applied Testing, which represents approximately 8% of net sales, we achieved 19% growth in 2012 compared to 2011, primarily on strong demand for consumables used in human identification / forensics, veterinary medicine and food safety. Instrument sales also advanced in 2012, particularly following the early 2012 launch of assays for use on the QIASymphony automation platform.

In Pharma, which represents approximately 19% of net sales, we experienced 3% growth in 2012 compared to 2011, led by a demand for products used in oncology research as well as the GeneGlobe portfolio. Also contributing to the growth was ongoing expansion of Certal products used on QIASymphony for quality control in biopharmaceutical processing. However, growth rates were slower in the second half of 2012 as restructuring activities at some pharmaceutical companies impacted results.

In Academia, which represents approximately 24% of net sales, we experienced a 2% decline in 2012 compared to 2011 primarily due to currency movements. Concerns about future U.S. and European government funding for life sciences research prompted very cautious spending patterns among some customers in the U.S. and Europe in the fourth quarter of 2012. Funding uncertainties in these regions are expected to continue in 2013.

Gross Profit

Gross profit was \$823.5 million, or 66% of net sales, in 2012, compared to \$748.4 million, or 64% of net sales, in 2011. Generally, our consumable sample and assay products have a higher gross margin than our instrumentation products and service arrangements. Fluctuations in the sales levels of these products and services can result in fluctuations in gross margin between periods. An increase in milestone payments from companion diagnostic co-development arrangements in 2011 negatively

affected the 2011 margin since the gross margin on these services is significantly below the margin on product sales. Gross margin in 2011 also was negatively impacted by costs related to the relocation of production facilities, including moving into newly constructed production space in Hilden, Germany; costs incurred following the Japanese earthquake and other natural disasters; and costs related to the restructuring announced late in 2011.

Amortization expense related to developed technology and patent and license rights acquired in a business combination is included in cost of sales. The amortization expense on acquisition-related intangibles within cost of sales increased to \$78.5 million in 2012 from \$70.2 million in 2011, as a result of an increase in intangibles acquired in recent business combinations. We expect our acquisition-related intangible amortization to continue to increase as a result of acquisitions.

During 2012, a total of \$3.1 million was expensed to acquisition and restructuring-related cost of sales. These costs included costs related to the relocation of production facilities as well as the write-up of acquired inventory to fair market value as a result of business combinations. In accordance with purchase accounting rules, acquired inventory was written up to fair market value and subsequently expensed as the inventory was sold. Additionally, we recorded reversals of \$6.7 million related to changes in the fair value of contingent consideration and \$4.6 million related to acquired contingent liabilities.

During 2011, a total of \$9.6 million was expensed to acquisition and restructuring-related cost of sales. These costs related to the relocation of production facilities as well as the write-up of acquired inventory to fair market value as a result of business combinations.

Research and Development

Research and development expenses decreased by 36% to \$116.4 million (9% of net sales) in 2012, compared to \$183.3 million (16% of net sales) in 2011. The decline was partially due to a refocusing of our portfolio of development projects in early 2012. Additionally, in 2011 we recorded \$56.1 million in impairment costs in connection with our restructuring efforts. As we continue to discover, develop and acquire new products and technologies, we expect to incur additional expenses related to facilities, licenses and employees engaged in research and development efforts. Additionally, research and development costs are expected to increase as a result of seeking regulatory approvals, including U.S. FDA Pre-Market Approval (PMA), U.S. FDA 510(k) clearance and EU CE approval of certain assays or instruments. We have a strong commitment to innovation and expect to continue to make investments in our research and development efforts.

Sales and Marketing

Sales and marketing expenses increased 12% to \$382.3 million (30% of net sales) in 2012 from \$341.2 million (29% of net sales) in 2011. The increase in sales and marketing expenses reflects the acquisitions in 2012 along with increased sales and marketing investments to globalize the acquired Cellestis and Ipsogen product portfolios. 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, but we expect sales and marketing costs will grow at a slower rate than our overall revenue growth over the long term.

Amortization of trademarks and customer base acquired in a business combination is recorded in sales and marketing expense. During 2012, amortization expense on acquisition-related intangibles within sale and marketing expense increased to \$37.8 million, compared to \$37.4 million in 2011. The increase in expense is the result of an increase in amortized intangibles acquired in our recent business combinations. We expect acquisition-related intangible amortization to continue to increase as a result of our acquisitions.

Starting January 1, 2013, the United States began imposing a 2.3% excise tax on the sale, including leases, of any “taxable medical device,” that is any FDA-regulated device intended for human use, under the U.S. healthcare reform laws enacted in 2010. Based on our estimate of product revenue that is expected to be subject to the regulations, we currently expect that imposition of the tax will cost up to \$6.0 million annually in 2013 and will be recorded as a selling expense.

General and Administrative, Restructuring, Integration and Other

General and administrative, business integration, restructuring and related costs decreased by 21% to \$153.7 million (12% of net sales) in 2012 from \$195.6 million (17% of net sales) in 2011. The net decrease is due primarily to the restructuring measures that started in late 2011 to streamline the organization. We expensed \$41.0 million and \$69.4 million in 2012 and 2011, respectively, to general and administrative restructuring costs related to internal restructuring of subsidiaries, including severance and retention costs. 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 was focused to eliminate organizational layers and overlapping structures, actions that will enhance our processes, speed and productivity. During 2012, we incurred acquisition costs of approximately \$4.5 million, primarily in connection with the acquisitions of AmniSure and Intelligent Biosystems. In connection with the integration of the acquired companies, we aim to improve efficiency in general and administrative operations. As we further integrate the acquired companies and pursue other opportunities to gain efficiencies, we expect to continue to incur additional business integration and restructuring costs in 2013. Over time, we believe the integration and restructuring activities will reduce general and administrative expenses as we improve efficiency in general and administrative operations.

Financial Income and Expense

For the year ended December 31, 2012, financial income decreased to \$4.7 million from \$7.4 million in 2011. The decrease in financial income was primarily due to higher short-term investments during the first half of 2011.

Financial expense decreased to \$34.5 million in 2012 compared to \$38.0 million in 2011. Interest costs primarily relate to our long-term debt discussed in the accompanying notes to the consolidated financial statements. The decrease in financial expense is primarily due to lower average outstanding debt balance following repayments of \$469.9 million in 2011.

QIAGEN N.V.'s functional currency is the U.S. dollar and our subsidiaries' functional currencies are the local currency of the respective countries in which they are headquartered. All amounts in the financial statements of entities whose functional currency is not the U.S. dollar are translated into U.S. dollar equivalents at exchange rates as follows: (1) assets and liabilities at period-end rates, (2) income statement accounts at average exchange rates for the period, and (3) components of shareholders' equity at historical rates. Translation gains or losses are recorded in shareholders' equity, and transaction gains and losses are reflected in net income. The net (loss)/gain on foreign currency transactions in 2012 and 2011 was \$(7.2) million and \$12.4 million, respectively. The higher gain was primarily the result of favorable currency fluctuations while funding the Cellectis acquisition.

Gains from investments in associates increased to \$1.7 million in 2012 compared to \$0.2 million in 2011.

As per end of December 31, 2012, other financial income was \$1.4 million, primarily related to amounts received in connection with the release of an escrow fund, compared to \$0.6 million in 2011.

Income Taxes

In 2012 and 2011, our effective tax rates were 8.1% and (227.2)%, respectively. Our operating subsidiaries are exposed to effective tax rates ranging from zero up to more than 40%. Fluctuations in the distribution of pre-tax income among our operating subsidiaries can lead to fluctuations of the effective tax rate in the consolidated financial statements. Our effective tax rate in 2012 reflects the impacts of business and financing restructurings implemented during 2011 and 2012. The effective tax rate for 2011 includes the effect of restructuring costs related to our transformation project, including impairments that lowered the mix of earnings in our higher taxing jurisdictions. This together with tax benefit related to equity based compensation resulted in an overall tax benefit for 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 capital expenditure requirements including construction of new facilities and acquisitions. As of December 31, 2012 and 2011, we had cash and cash equivalents of \$394.7 million and \$221.6 million, respectively. We also had short-term investments of \$90.5 million at December 31, 2012. 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 December 31, 2012, cash and cash equivalents had increased by \$173.1 million from December 31, 2011, primarily as a result of cash provided by operating activities of \$269.1 million and financing activities of \$224.1 million partially offset by cash used in investing activities of \$322.3 million. As of December 31, 2012 and 2011, we had working capital of \$683.7 million and \$253.2 million, respectively.

Operating Activities. For the years ended December 31, 2012 and 2011, we generated net cash from operating activities of \$269.1 million and \$266.9 million, respectively. While net income of \$126.2 million in 2012 increased by \$84.2 million as compared to the prior year, 2011 net income was reduced by restructuring accruals which were mostly paid out in 2012. The non-cash components such as depreciation and amortization, share-based compensation, deferred income taxes and other non-cash activity including restructuring measures increased cash from operating activities by \$223.6 million as of December 31, 2012. This increase was partially offset by net changes in operating assets and liabilities of \$80.8 million, primarily due to an increase in inventories, accounts receivable and income taxes. 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 \$322.3 million of cash was used in investing activities during 2012, compared to \$557.0 million during 2011. Investing activities during 2012 consisted principally of \$33.9 million invested in available for sale assets, \$102.0 million in cash paid for purchases of property and equipment, primarily in our ongoing construction projects in the U.S., as well as \$26.1 million paid for intangible assets. Cash paid for acquisitions, net of cash acquired, of \$132.0 million was used primarily in the acquisitions of AmniSure and Intelligent Biosystems and includes \$1.1 million of cash paid in connection with acquisition milestone achievements. As of December 31, 2012, we also had made investments of \$8.2 million in privately held companies.

In 2009, we purchased the land and building adjacent to our facility in Hilden, Germany for €2.5 million (approximately \$3.2 million) to further expand our German facilities for research and development and production. In addition, we started the expansion of our Germantown, Maryland, USA facility for production and administrative space in June 2010. While the construction in Germany is complete, the U.S. expansion projects are expected to continue into 2013, with both projects at an estimated total cost of approximately \$94.0 million. We anticipate that we will be able to fund these 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 \$134.2 million based on the achievement of certain revenue and operating results milestones as follows: \$18.9 million in 2013, \$23.4 million in 2014, \$16.3 million in 2015, \$17.5 million in 2016, \$7.0 million in 2017 and \$51.1 million payable in any 12-month period from now until 2017 based on the accomplishment of certain revenue targets, the launch of certain products or the grant of certain patent rights. Of the \$134.2 million total contingent obligation, approximately \$19.0 million is accrued as of December 31, 2012.

Financing Activities. Financing activities provided \$224.1 million in cash for the year ended December 31, 2012 compared to a use of \$315.8 million for 2011. Cash provided during 2012 was primarily due to new debt of \$400.0 million issued in a private placement of new senior unsecured notes. The new borrowings were used in part to repay \$143.3 million of short term debt. Also in 2012, we commenced a share buyback and as of December 31, 2012 had repurchased 1.9 million common shares at a total price of approximately \$35.7 million. Other cash payments of \$6.0 million were primarily related to milestone payments from previous acquisitions.

In December 2011, we entered into a €400.0 million syndicated multi-currency revolving credit facility expiring December 2016 of which no amounts were utilized at December 31, 2012. We have additional credit lines totaling €38.0 million with no expiration date, none of which was utilized as of December 31, 2012. We also have capital lease obligations, including interest, in the aggregate amount of \$22.8 million, and carry \$842.6 million of long-term debt, of which \$0.9 million is current as of December 31, 2012.

In August 2004, the Company completed the sale of \$150 million principal amount of 1.5% convertible unsubordinated notes (Notes) due 2024, through its subsidiary QIAGEN Finance (Luxembourg) S.A. Interest on the Notes is payable semi-annually in February and August. The Notes were issued at 100% of principal value, and are convertible into 11.5 million shares of common shares at the option of the holder upon the occurrence of certain events at a price of \$12.6449 per share, subject to adjustment. In November 2008, the Company issued 395,417 common shares upon the exercise of a portion of the subscription rights in connection with the conversion of \$5.0 million of the Notes. The Notes may be redeemed, in whole or in part, at QIAGEN's option on or after 7 years, at 100% of the principal amount provided the actual trading price of our common stock exceeds 120% of the conversion price for twenty consecutive trading days. In addition, the holders of the Notes may require QIAGEN to repurchase all or a portion of the outstanding Notes for 100% of the principal amount, plus accrued interest, on August 18, 2014 and 2019. The effective interest rate of the Notes amounts to 1.5%. The Company has reserved 11.5 million shares of common stock for issuance in the event of conversion.

In May 2006, the Company completed the sale of \$300.0 million principal amount of 3.25% senior convertible notes (2006 Notes) due 2026, through its subsidiary QIAGEN Euro Finance (Luxembourg) S.A. 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 shares of common shares at the option of the holder upon the occurrence of certain events at a price of \$20.00 per share, subject to adjustment. 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. The effective interest rate of the Notes amounts to 6.4%. The Company has reserved 15.0 million of common stock for issuance in the event of conversion.

In October 2012, we completed a private placement through the issuance of new senior unsecured notes at a total amount of \$400 million with a weighted average interest rate of 3.66% (settled on October 16, 2012). The notes were issued in three series: (1) \$73 million 7-year term due in 2019 (3.19%); (2) \$300 million 10-year term due in 2022 (3.75%); and (3) \$27 million 12-year term due in 2024 (3.90%). Approximately €170 million (approximately \$220 million) of proceeds from the

notes were used to repay amounts outstanding under our short-term revolving credit facility. The remainder of the proceeds provides additional resources to support QIAGEN's longer-term business expansion.

Our Supervisory Board and shareholders granted management the discretion to repurchase up to \$100 million of our common shares (excluding transaction costs). In October 2012, we commenced the buyback and as of December 31, 2012 have repurchased 1.9 million common shares at a total price of approximately \$35.7 million. We expect to complete the share repurchase program during the first quarter of 2013.

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 to 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.

Employees

As of December 31, 2012, we employed 3,999 individuals, of which 17% worked in research and development, 40% in sales, 25% in production/logistics, 7% in marketing and 11% in administration.

<u>Region</u>	<u>Research & Development</u>	<u>Sales</u>	<u>Production</u>	<u>Marketing</u>	<u>Administration</u>	<u>Total</u>
Americas	139	553	219	60	123	1,094
Europe	478	585	695	168	240	2,166
Asia Pacific & Rest of World	53	462	86	61	77	739
December 31, 2012	670	1,600	1,000	289	440	3,999

At December 31, 2011, we employed 3,938 and individuals. None of our employees is represented by a labor union or subject to a collective bargaining agreement. Management believes that its relations with employees are good.

Our success depends, to a significant extent, on key members of our management and our scientific staff. The loss of such employees could have a material adverse effect on QIAGEN. Our ability to recruit and retain qualified skilled personnel to perform future research and development work will also be critical to our success. Due to the intense competition for experienced scientists from numerous Pharmaceutical and biotechnology companies and academic and other research institutions, there can be no assurance that we will be able to attract and retain such personnel on acceptable terms. Our planned activities will also require additional personnel, including management, with expertise in areas such as manufacturing and marketing, and the development of such expertise by existing management personnel. The inability to acquire such personnel or develop such expertise could have a material adverse impact on our operations.

Workforce Diversity

In terms of composition of the Supervisory Board and the Managing Board, new Dutch legislation took effect on January 1, 2013, requiring companies to pursue a policy of having at least 30% of the seats on the Managing Board and the Supervisory Board held by men and at least 30% held by women.

We have a long-standing commitment to developing a diverse leadership team, including the Managing Board and the Supervisory Board, with a broad range of experience, skills and capabilities. In nominating candidates for these boards, we

support the trend toward higher participation of women. We are committed to expanding diversity while pursuing individuals for these boards with a unique blend of scientific and commercial expertise and experience that will contribute to the future success of its business. Internally, management development programs support the career advancement of leaders regardless of gender and other factors. As a result, a number of women are in key leadership roles, particularly in commercial and operational positions around the world. In line with this long-standing commitment, the Supervisory Board will take the requirements of the Dutch law into account in the future when proposing members for election or re-election to its Board without compromising QIAGEN's commitment to hiring the best individuals for positions without any discrimination. Our current governance structure has led to a reduction in the size of the Managing Board to two members, so achieving a diversity goal as measured solely by a percentage of overall membership is difficult to achieve. At the same time, QIAGEN has significantly increased the diversity of its senior leadership team and will continue to do so in the future.

Compensation of Directors and Officers

Compensation of Directors and Officers

Compensation policy

Since the creation of QIAGEN, management has formed a culture that seeks to attract and retain the best talent worldwide and reward associates for their performance. This compensation system aims to foster focus on achieving corporate strategic initiatives as well as personal accountability.

It is critical for QIAGEN to offer attractive compensation packages on a global basis. According to the QIAGEN philosophy, an employee who achieves their performance objectives should generally be awarded compensation comparable to the medial levels of compensation provided by relevant benchmark companies. In case of over or under performance, the actual total compensation may significantly differ from the benchmark median. QIAGEN participates in various compensation benchmarking surveys that provide information on the level, as well as the mix, of compensation awarded by various companies and industries for a broad range of positions around the world. In the case of QIAGEN, these include many peer life science and diagnostic companies based in the U.S.

QIAGEN has a “pay for performance” culture, with the compensation of employees linked to the achievement of business and individual performance goals. Business goals are established by the Executive Committee each year, and approved by the Compensation Committee. These goals are set at ambitious levels each year to motivate and drive performance, with a focus on both short-term and long-term quantifiable objectives. Performance metrics used for these goals include the achievement of targets for net sales, adjusted operating income and free cash flow. In 2012, the payments for short-term variable compensation were based on 91% achievement of the business goals.

Compensation for a significant majority of employees worldwide includes fixed base compensation and benefits, which vary according to local market customs, as well as a short-term variable cash bonus. The level of fixed compensation is paid in cash, usually on a monthly basis, and is designed to provide the employee with a reasonable standard of living relative to the compensation offered by peer companies. The amount of short-term variable cash bonus is designed to reward performance, with the payout amount based on the achievement of overall company results as well as individual performance against a written set of objectives. The payout cap for the short-term variable cash bonus, including for members of the Managing Board, is capped at 200% of the individual's personal target bonus.

Furthermore, to align our compensation programs with the interests of shareholders, senior executives receive a portion of their total compensation in the form of long-term compensation, which is granted as equity as a reward for performance. These grants are determined on an individual basis and approved by the Compensation Committee. These equity grants are predominantly made in the form of Restricted Stock Units (RSUs) with a staggered vesting period typically over three (40%), five (50%) and 10 years (10%) and stock options, which have a staggered vesting period typically over three years.

Reference is made to the additional disclosures in the Corporate Governance Report.

Risk Management

Our risk management approach embodies the key elements of a sound risk management system including (1) active board and senior management involvement; (2) adequate policies and procedures; (3) adequate risk management, monitoring and information systems; and (4) comprehensive internal controls.

The Company is managed by a Managing Board and an independent Supervisory Board appointed by the General Meeting of Shareholders. One of the Managing Board's responsibilities is the oversight of the Company's risk management system. The Managing Board has developed and implemented strategies, controls and mitigation measures to identify current

and developing risks as part of our risk management system. Risk management policies and procedures are embodied in our corporate governance, code of ethics and financial reporting controls and procedures. A variety of functional experts evaluate these business risks, attempting to mitigate and manage these risks on an ongoing basis.

Identified risks are subdivided into three types:

- A base business risk one is specific to us or our industry and that threatens our current and existing business;
- A business growth risk is a risk specific to us or our industry that threatens our future business growth; and
- An underlying business risk, which comprises risks that are not specific to us or our industry but apply to a larger number of public companies.

All identified risks are evaluated based on their likelihood of occurring and their potential impact (estimated in monetary terms) in disrupting our progress in achieving our business objectives. The overall risk management goal is to identify risks that could significantly threaten our success and to allow management on a timely basis the opportunity to successfully mitigate such risks. The results of the risk assessment and any updates are reported to the Audit Committee on a regular basis. Each quarter a detailed risk reporting update is provided to the Audit Committee for specific risks which have been newly identified or have changed since the last assessment. On a semi-annual basis the overall risk inventory is updated for all risks that are categorized as either a base business risk or a risk to business growth. A detail review of all underlying business risks is done every year. At least once a year, the Supervisory Board discusses the corporate strategy and business risks as well as the results of an assessment by the Managing Board and the Audit Committee on the structure and operations of the internal risk management and control systems, including any significant changes.

Our corporate governance structure is based on a strong framework of the responsibilities of our Managing and Supervisory Boards and the function of the Audit Committee of the Supervisory Board. We maintain an adequate internal control over financial reporting to ensure the integrity of financial reporting. Additionally, we maintain a Compliance Committee under the leadership of the Chief Financial Officer, who is also a member of the Managing Board. The Compliance Committee consists of senior executives from various functional areas who are responsible to ensure compliance with legal and regulatory requirements in addition to overseeing the communication of corporate policies, including our Code of Ethics.

Risk Types	
Base Business Risk	<ul style="list-style-type: none"> • Identification and monitoring of competitive threats to the business • Monitoring complexity of product portfolio • Monitoring dependence on key customers for single product groups • Dependence on individual production sites or suppliers • Evaluating purchasing initiatives, price controls and changes to reimbursements • Monitoring of production risks, including contamination prevention, high-quality product assurance • Ensuring ability to defend against intellectual property infringements and maintain competitive advantage after expiration
Business Growth Risk	<ul style="list-style-type: none"> • Managing development and success of key R&D projects • Managing successful integration of acquisitions to achieve anticipated benefits
Underlying Business Risk	<ul style="list-style-type: none"> • Financial Risks including Economic risk and fluctuations in currency exchange rates • Financial Reporting Risk including monitoring multi-jurisdiction tax compliance • Evaluating possible asset impairment events • Compliance and Legal risks including safety in operations and environmental hazard risks, compliance with various regulatory bodies and pending regulatory product approvals • Risks of FCPA or anti-trust concerns arising from a network of subsidiaries and distributors in foreign countries

The risks described below are listed in the order of our current view of their expected significance. Describing the risk factors in order of significance does not imply that a lower listed risk factor may not have a material adverse impact our results of operations, liquidity or capital resources.

An inability to manage our growth, manage the expansion of our operations, or successfully integrate acquired businesses could adversely affect our business.

Our business has grown rapidly, with total net sales increasing to \$1.25 billion in 2012 from \$1.01 billion in 2009. We have made several acquisitions in recent years, including AmniSure in 2012 and Cellestis Ltd. and Ipsogen S.A. in 2011. Other acquisitions include SABiosciences and DxS Ltd. in 2009; Corbett Life Science Pty. Ltd., or Corbett, in 2008; and Digene Corporation, or Digene, in 2007. We intend to identify and acquire other businesses in the future that support our strategy to build on our global leadership position in Sample & Assay Technologies. The successful integration of acquired businesses

requires a significant effort and expense across all operational areas.

We have also made significant investments to expand our business operations. In January 2009, we purchased land adjacent to our facility in Germany and in August 2009 began a major expansion project to create additional facilities for research and development as well as to expand production capacity. This expansion project was completed in early 2012. In addition, we began a project in June 2010 to expand our facility in Germantown, Maryland, for research, production and administrative space, and this project is expected to continue into 2014. These expansion projects increase our fixed costs, resulting in higher operational costs in the short term that will negatively impact our gross profit and operating income until we fully utilize the additional capacity of these planned facilities. We also continue to upgrade our operating and financial systems and expand the geographic presence of our operations, which has resulted in the reallocation of existing resources or the hiring of new employees as well as increased responsibilities for both existing and new management personnel. The rapid expansion of our business and the addition of new personnel may place a strain on our management and operational systems.

Our future operating results will depend on the ability of our management to continue to implement and improve our research, product development, manufacturing, sales and marketing and customer support programs, enhance our operational and financial control systems, expand, train and manage our employee base, integrate acquired businesses, and effectively address new issues related to our growth as they arise. There can be no assurance that we will be able to manage our recent or any future expansion or acquisitions successfully, and any inability to do so could have a material adverse effect on our results of operations.

Our acquisitions expose us to new risks, and we may not achieve the anticipated benefits of acquisitions of technologies and businesses.

During the past several years, we have acquired and integrated a number of companies through which we have gained access to new technologies, products and businesses that complement our internally developed product lines. In the future, we expect to acquire additional technologies, products or businesses to expand our operations. Acquisitions expose us to new operating and other risks, including risks associated with the:

- assimilation of new products, technologies, operations, sites and personnel;
- application for and achievement of regulatory approvals or other clearances;
- diversion of resources from our existing products, business and technologies;
- generation of sales to offset associated acquisition costs;
- implementation and maintenance of uniform standards and effective controls and procedures;
- maintenance of relationships with employees and customers and integration of new management personnel;
- issuance of dilutive equity securities;
- incurrence or assumption of debt;
- amortization or impairment of acquired intangible assets or potential businesses; and
- exposure to liabilities of and claims against acquired entities.

Our failure to address the above risks successfully in the future may prevent us from achieving the anticipated benefits from any acquisition in a reasonable time frame, or at all.

Our continued growth is dependent on the development and success of new products.

Rapid technological change and frequent new product introductions are typical in the markets we serve. Our success will depend in part on continuous, timely development and introduction of new products that address evolving market requirements. We believe successful new product introductions provide a significant competitive advantage because customers make an investment of time in selecting and learning to use a new product and are reluctant to switch thereafter. To the extent that we fail to introduce new and innovative products, or such products suffer significant delays in development or are not accepted in the market, we may lose market share to our competitors, which will be difficult or impossible to regain. An inability to successfully develop and introduce new products, for technological or other reasons, could reduce our growth rate or otherwise have an adverse effect on our business. In the past, we have experienced delays in the development and introduction of products, including regulatory approvals, and we may experience delays in the future.

As a result, we cannot assure you that we will keep pace with the rapid rate of change in our markets or that our new products will adequately meet the requirements of the marketplace, achieve market acceptance or regulatory approval or compete successfully with competitive technologies. Some of the factors affecting market acceptance of new products include:

- availability, quality and price relative to competitive products;
- the timing of introduction of the new product relative to competitive products;
- opinions of the new product's utility;
- citation of the new product in published research;
- regulatory trends and approvals; and
- general trends in life sciences research, applied markets and molecular diagnostics.

The expenses or losses associated with unsuccessful product development activities or lack of market acceptance of our new products could materially adversely affect our business, financial condition and results of operations.

Important new product programs underway include our modular medium-throughput QIASymphony automation platform, our next generation sequencing platform and our high-throughput QIAensemble automation platform and related Sample & Assay Technologies.

The speed and level of adoption of our QIASymphony platform will affect sales of instrumentation but also of sample and assay kits designed to run on this system. The rollout of QIASymphony is intended to drive the dissemination and increasing sales of sample and assay kits that run on this platform, and we are seeking regulatory approvals for a number of these new products. In turn, the availability and regulatory approval of more tests to run on QIASymphony, especially molecular assays for specific diseases or companion diagnostics paired with new drugs, will influence the value of the instruments to prospective buyers. The risk of slower adoption of QIASymphony or the complete QIASymphony RGQ system could significantly affect sales of products designed to run on these platforms.

The launch of the QIAensemble Decapper in late 2011, similarly, is an automation platform that affects sales of our test kits, primarily to high-throughput laboratories that run our HPV test to screen women for risk of cervical cancer. The level of acceptance of this instrument in the marketplace, and the development of future enhancements for the QIAensemble system, could significantly affect sales of products designed to run in the high-throughput setting.

Global economic conditions could adversely affect our business, results of operations and financial condition.

Our results of operations could be materially affected by adverse general conditions in the global economy and global financial markets. In times of economic hardship or high unemployment, patients may decide to forego or delay routine tests, in particular our HPV test used to screen women for risk of cervical cancer. Changes in the availability or reimbursement of our molecular diagnostic testing products by insurance providers and healthcare maintenance organizations could also have a significant adverse impact on our results of operations.

Access to financing in the global financial markets has also been adversely affected for many businesses during the recent challenging economic times and public debt crisis. The uncertainty surrounding the resolution of the economic and sovereign debt crisis in Europe continues to have a negative impact on financial markets and economic conditions more generally. Our customers may face internal financing pressures that adversely impact spending decisions, the ability to purchase our products or that lead to a delay in collection of receivables and thus negatively impact our cash flow. A severe or prolonged economic downturn could result in a variety of risks to our business that would adversely impact our results of operations, including the reduction or delay in planned improvements to healthcare systems in various countries, the reduction of funding for life sciences research, and intensified efforts by governments and healthcare payors regarding cost-containment efforts.

Our results of operations could also be negatively impacted by automatic U.S. government spending cuts ("sequestration") that may take effect in 2013. These conditions may add uncertainty to the timing and budget for investment decisions by our customers, particularly, researchers, universities, government laboratories and private foundations whose funding is dependent upon grants from government agencies, such as the National Institutes of Health and similar bodies.

As is the case for many businesses, we face the following risks in regard to financial markets:

- severely limited access to financing over an extended period of time, which may limit our ability to fund our growth strategy and could result in delays to capital expenditures, acquisitions or research and development projects;
- failures of currently solvent financial institutions, which may cause losses from our short-term cash investments or our hedging transactions due to a counterparty's inability to fulfill its payment obligations;
- inability to refinance existing debt at competitive rates, reasonable terms or sufficient amounts; and
- increased volatility or adverse movements in foreign currency exchange rates.

Our concentration of a significant portion of revenues in products related to HPV testing increases our dependence on that product group's success, our reliance on relationships with a relatively small number of customers particularly in the United States, and our reliance on a diversification strategy to increase sales in other product areas.

Contributions in 2012 from sales in the United States of our HPV test products represent approximately 13% of our total net sales. While the ultimate decision to order this test is made by physicians in consultation with their patients, in the U.S. the test analysis is generally performed by reference laboratories, who in turn are the customers of QIAGEN in terms of ordering tests and related equipment. At present, a limited number of reference laboratories in the U.S. account for the majority of HPV test sales. In times of economic hardship or high unemployment patients may decide to forego or delay routine tests. Further, the cost of HPV testing in the U.S. is reimbursed to reference laboratories by insurance providers and health maintenance organizations. If these insurance plans decide to limit the availability of payments for our test to their members, it could have a significant adverse impact on our results of operations. Growth in other areas through diversification and new product launches has reduced the proportion of total net sales coming from HPV tests in the U.S., but if we fail to further diversify, we could be at risk that under-performance of the HPV line or loss of a customer could materially affect results of operations.

Our sales of HPV products will be affected by the level of acceptance of HPV screening by physicians and laboratories.

Sales of our HPV-related Molecular Diagnostics products depend upon our ability to develop greater acceptance by physicians and laboratories of the clinical benefits of HPV screening as a necessary part of the standard of care for screening women for risk of cervical cancer, either alone or in conjunction with cytology-based tests (Pap tests). This applies to the U.S. as well as Europe and other markets around the world. Pap tests have been the principal means of cervical cancer screening since the 1940s. Our HPV test is supported by extensive clinical data showing its significant benefits in better identifying women at risk for cervical cancer than a Pap test alone, and prevailing standards of care in the U.S. now include HPV tests in conjunction with Pap tests. In the U.S. approximately half of cervical cancer screening includes co-testing of molecular HPV tests along with Pap smears. These standards are also being adopted in other countries around the world. However, technological advances designed to improve quality control over sample collection and preservation, as well as to reduce the susceptibility of Pap tests to human error, may increase physician reliance on the Pap test and solidify its market position as the most widely used screening test.

HPV testing applies a new molecular-based approach that is different from the cytology-based approach (reviewing cells under a microscope) of the Pap test. Significant resources are required to educate physicians and laboratories about the patient benefits that can result from using HPV test products in addition to the Pap test, and to assist laboratory customers in learning how to use our HPV test products. The addition of our HPV test products to the Pap test for primary screening in the United States may be seen by some customers as adding unnecessary expense to traditional cervical cancer screening. As a result, our ability to continue to grow revenues from HPV testing in the U.S. and around the world depends on providing information on the proven benefits of using our molecular technologies to identify women at risk for cervical cancer

We may encounter delays in receipt, or limits in the amount, of reimbursement approvals and public health funding, which will impact our ability to grow revenues in the healthcare market.

Third-party payors are often reluctant to reimburse healthcare providers for the use of medical tests that involve new technologies or provide novel diagnostic information. In addition, third-party payors are increasingly limiting reimbursement coverage for medical diagnostic products and, in many instances, are exerting pressure on diagnostic product suppliers to reduce their prices. Since each third-party payor often makes reimbursement decisions on an individual patient basis, obtaining such approvals is a time-consuming and costly process that requires us to provide scientific and clinical data supporting the clinical benefits of each of our products. As a result, there can be no assurance that reimbursement approvals will be obtained. This process can delay the broad market introduction of new products, and could have a negative effect on our results of operations. As a result, third-party reimbursement may not be consistent or financially adequate to cover the cost of our products. This could limit our ability to sell our products or cause us to reduce prices, which would adversely affect our results of operations.

Reduction in research and development budgets and government funding may result in reduced sales.

Our customers include researchers at pharmaceutical and biotechnology companies, academic institutions, and government and private laboratories. Fluctuations in the research and development budgets of these organizations could have a significant adverse effect on demand for our products. Research and development budgets are affected by changes in available resources, the mergers of pharmaceutical and biotechnology companies, changes in spending priorities and institutional budgetary policies. Our results of operations could be adversely affected by any significant decrease in expenditures for life sciences research and development by pharmaceutical and biotechnology companies, academic institutions, and government and private laboratories. In addition, short-term changes in administrative, regulatory or purchasing-related procedures can create uncertainties or other impediments that can have an adverse impact on our results of operations.

In recent years, the pharmaceutical and biotechnology industries have undergone substantial restructuring and consolidation. Additional mergers or consolidation within the pharmaceutical and biotechnology industries could cause us to lose existing customers and potential future customers, which could have a material adverse impact on our results of operations.

Approximately 25% of our sales are generated from demand for our products used in the Academia customer class by researchers at universities, government laboratories and private foundations, and whose funding is dependent upon grants from government agencies, such as the U.S. National Institutes of Health (NIH). Although the level of research funding has been increasing in recent years, we cannot assure you that this trend will continue given federal and state budget constraints. Government funding of research and development is subject to the political process, which is inherently unpredictable. Future sales may be adversely affected if our customers delay purchases as a result of uncertainties regarding the approval of government or industrial budget proposals. Also, government proposals to reduce or eliminate budgetary deficits have sometimes included reduced allocations to the NIH and government agencies in other countries that fund life sciences research and development activities. A reduction in government funding for the NIH or government research agencies in other countries could have a serious adverse impact on our results of operations.

Competition could reduce our sales.

We face various competitive factors against greater adoption of our products, in particular the use of “home-brew” or lab-developed methods, where widely available reagents and other chemicals are used in a non-standardized manner to perform sample and assay processing. We are also aware that a significant number of laboratory organizations and competitors are developing and using their own internally developed molecular tests. Some competitor companies may seek regulatory approvals from the U.S. Food and Drug Administration (FDA) or similar non-U.S. regulatory authorities and bring to the market alternative products that could limit the use of our products. The success of our business depends in part on the continued conversion of current users of “home brew” methods to our standardized Sample & Assay Technologies and products. There can be no assurance, however, as to the continued conversion of these potential customers.

We have experienced, and expect to continue to experience, increasing competition from companies that provide competitive pre-analytical solutions and also other products used by our customers. The markets for some of our products are very competitive and price sensitive. Other product suppliers may have significant advantages in terms of financial, operational, sales and marketing resources as well as experience in research and development. These companies may have developed, or could develop in the future, new technologies that compete with our products or even render our products obsolete. The development of products offering superior technology or a more cost-effective alternative to our products could have a material adverse effect on our results of operations.

We believe that customers in the market for pre-analytical sample technologies as well as for assay technologies display significant loyalty to their initial supplier of a particular product, in particular given the time and expense required by customers to properly integrate these products into their operations. As a result, it may be difficult to convert customers who have purchased products from competitors, and our competitive position may suffer if we are unable to be the first to develop and supply new products.

The time and expense needed to obtain regulatory approval and respond to changes in regulatory requirements could adversely affect our ability to commercially distribute our products and generate sales.

We and our customers operate in a highly regulated environment characterized by continuous changes in the governing regulatory framework, particularly for product approvals. Genetic research activities and products commonly referred to as “genetically engineered” (such as certain food and therapeutic products) are subject to extensive governmental regulation in most developed countries, especially in the major markets for pharmaceutical and diagnostic products such as the European Union, the U.S. and Japan. In recent years, several highly publicized scientific events (most notably in genomic research and “cloning”) have prompted intense public debates on the ethical, philosophical and religious implications of an unlimited expansion in genetic research and the use of products emerging from this research. As a result of this debate, some key countries may increase existing regulatory barriers, which could adversely affect demand for our products and prevent us from fulfilling our growth expectations. Furthermore, there can be no assurance that any future changes of applicable regulations will not require further expenditures or an alteration, suspension or liquidation of our operations in certain areas, or even in their entirety.

Changes in the existing regulations or adoption of new requirements or policies could adversely affect our ability to sell our approved products or to seek approvals for new products in other countries around the world. Sales of certain products now in development may be dependent upon us successfully conducting pre-clinical studies, clinical trials and other tasks required to gain regulatory approvals. These trials could be subject to extensive regulation by governmental authorities in the U.S., particularly the FDA, and regulatory agencies in other countries. These trials involve substantial uncertainties and could impact

customer demand for our products.

In addition, certain products, especially those intended for use in *in vitro* diagnostics applications, require regulatory approvals in various countries. For example, since the European Union Directive 98/79/EC on *in vitro* diagnostic medical devices, or EU-IVD-D, went into effect in 2003, all products and kits used for *in vitro* diagnostic applications must be compliant with this directive. In addition to high-risk products such as HIV testing systems (list A of Annex II of the directive) or blood glucose testing systems (list B of Annex II of the directive), nucleic acid purification products, which are used in diagnostic workflows, are affected by this regulatory framework. The major goals of this directive are to standardize diagnostic procedures within the European Union, to increase reliability of diagnostic analysis and to enhance patient safety. If we fail to obtain any required clearance or approvals, it could significantly damage our business in these markets.

Several of our key products and programs are medical devices subject to extensive regulation by the FDA under the U.S. Food, Drug and Cosmetic Act. We plan to apply for FDA clearance or approval of additional products in the future as medical devices. Regulatory agencies in other countries also have medical device approval regulations that are becoming more extensive. These regulations govern most commercial activities associated with medical devices, including indications for the use of these products as well as other aspects that include product development, testing, manufacturing, labeling, storage, recordkeeping, advertising and promotion. Compliance with these regulations is expensive and time-consuming.

Each medical device that we wish to distribute commercially in the U.S. will likely require us to seek either 510(k) clearance or approval of a pre-market approval application (PMA) from the FDA prior to marketing the device for *in-vitro* diagnostic use. Clinical trials related to our regulatory submissions take years to complete and represent a significant expense. The 510(k) clearance pathway usually takes from three to twelve months, but can take longer. The PMA pathway is more costly, lengthy and uncertain, and can take from one to three years, or longer. For example, it took more than four years to receive pre-market approval from the FDA for our HPV test product for use as a test for the presence of HPV in women with equivocal Pap test results and pre-market approval for the use of our HPV test as a primary adjunctive cervical cancer screening test to be performed in combination with the Pap test for women age 30 and older. The uncertain time period required for regulatory review increases our costs to develop new products and increases the risk that we will not succeed in introducing or selling new products in the U.S.

Our cleared or approved devices, including our diagnostic tests and related equipment, are subject to numerous post-approval requirements. We are subject to inspection and marketing surveillance by the FDA to determine our compliance with regulatory requirements. If the FDA determines that we have failed to comply, it can institute a wide variety of enforcement actions, ranging from warning letters to more severe sanctions such as fines, injunctions and civil penalties, recalls or seizures of our products, operating restrictions, partial suspension or total shutdown of production, denial of our requests for 510(k) clearance or pre-market approval of product candidates, withdrawal of 510(k) clearance or pre-market approval already granted and criminal prosecution. Any enforcement action by the FDA may affect our ability to commercially distribute these products in the U.S.

Some of our products are sold for research purposes in the U.S. We do not promote these products for clinical diagnostic use, and they are labeled “For Research Use Only” (RUO) or “for molecular biology applications”. If the FDA were to disagree with our designation of a product, we could be forced to stop selling the product until appropriate regulatory clearance or approval has been obtained. Further, some of our products are used in “Laboratory-Developed Tests” (LDTs), where laboratories use our materials for assays manufactured, validated and performed in house. We do not promote these products for clinical diagnostic use.

Further, the FDA has announced its intention to begin regulating lab-developed tests in a phased-in approach, but details of proposed regulations have not yet emerged. LDTs represent the majority of molecular tests currently in use in terms of volume, and our automation systems - particularly the QIASymphony platform - are designed to accommodate the automation and validation of these tests. On the other hand, laboratories creating LDTs may use some of our materials in their tests. We do not promote these products for clinical diagnostic use, but if the FDA were to stop the use of LDTs or significantly limit their area of application, sales of some of our products in the U.S. could be adversely affected. The flexibility to handle LDTs is an advantage for these instruments. On the consumables side, LDTs can be competitors to our own commercially approved tests. We are pursuing a strategy of developing new content for our platforms partly by seeking regulatory approvals for new assays in Molecular Diagnostics, as well as approvals for these tests to run on QIAGEN instruments. We believe standardized tests that pass regulatory scrutiny may be attractive not only to reference laboratories and healthcare providers, but also to translational researchers in Pharma and Academia using molecular assays to develop and study products they expect to commercialize. At this point the ultimate impact of potential new FDA policies on LDTs is uncertain.

We depend on suppliers for materials used to manufacture our products, and if shipments from these suppliers are delayed or interrupted, we may be unable to manufacture our products.

We buy materials to create our products from a number of suppliers and are not dependent on any one supplier or group of suppliers for our business as a whole. However, key components of certain products, including certain instrumentation components and chemicals, are available only from a single source. If supplies from these vendors are delayed or interrupted for any reason, we may not be able to obtain these materials timely or in sufficient quantities or qualities in order to produce certain products, and this could have an adverse impact on our results of operations.

We rely on collaborative commercial relationships to develop some of our products.

Our long-term business strategy involves entering into strategic alliances as well as marketing and distribution arrangements with academic, corporate and other partners relating to the development, commercialization, marketing and distribution of certain of our existing and potential products. We may be unable to continue to negotiate these collaborative arrangements on acceptable terms, and these relationships also may not be scientifically or commercially successful. In addition, we may be unable to maintain these relationships, and our collaborative partners may pursue or develop competing products or technologies, either on their own or in collaboration with others.

For example, our Personalized Healthcare business includes projects with pharmaceutical and biotechnology companies to co-develop companion diagnostics paired with drugs that those companies either market currently or are developing for future use. The success of these co-development programs, including regulatory approvals for the companion diagnostics, depends upon the continued commitment of our partners to development of those drugs, the outcome of clinical trials for the drugs and diagnostics, and regulatory approvals of the paired diagnostic tests and drugs. In addition, the future level of sales for companion diagnostics that we bring to market depends, in some measure, on the commercial success of the relevant drugs. More companion diagnostics would be sold in combination with a widely prescribed drug than a drug with limited use. Hence, the future success of these diagnostics depends on our Pharma partners' actions and commercial success.

Some of our customers are requiring us to change our sales arrangements to lower their costs, and this may limit our pricing flexibility and harm our business.

Some of our customers have developed purchasing initiatives to reduce the number of vendors from which they purchase products to lower their supply costs. In some cases, these customers have established agreements with large distributors, which include discounts and direct involvement in the distributor's purchasing process. These activities may force us to supply large distributors with our products at discounts in order to continue providing products to some customers. For similar reasons, many larger customers, including the U.S. government, have requested, and may request in the future, special pricing arrangements, which can include blanket purchase agreements. These agreements may limit our pricing flexibility, which could harm our business and affect our results of operations. For a limited number of customers, and at the customer's request, we have conducted sales transactions through third-party online intermediaries to whom we are required to pay commissions. If sales grow through these intermediaries, it could have an adverse impact on our results of operations, particularly a negative impact on our gross profit.

We heavily rely on air cargo carriers and other overnight logistics services, and shipping delays or interruptions could harm our business.

Our customers in the scientific research markets typically only keep a modest inventory of our products on hand, and consequently require overnight delivery of purchases. As a result, we heavily rely on air cargo carriers and logistic suppliers. If overnight services are suspended or delayed, and other delivery carriers and logistic suppliers cannot provide satisfactory services, customers may suspend a significant amount of their work. The lack of adequate delivery alternatives would have a serious adverse impact on our results of operations.

Our success depends on the continued employment of our key personnel, any of whom we may lose at any time.

Our senior management consists of the Managing Directors and our most senior executives responsible for core functions, and led by Mr. Peer Schatz, our Chief Executive Officer. The loss of Mr. Schatz could have a material adverse effect on our operations. Further, although we have not experienced any difficulties attracting or retaining key management and scientific staff, our ability to recruit and retain qualified, skilled employees will continue to be critical to our success. Given the intense competition for experienced scientists among pharmaceutical and biotechnology companies as well as academic and other research institutions, there can be no assurance that we will be able to attract and retain employees critical to our success on acceptable terms. Initiatives to expand QIAGEN will also require additional employees, including management with expertise in areas such as manufacturing and marketing, and the development of existing managers to lead a growing organization. The failure to recruit new employees, or develop existing employees, could have a material adverse impact on our results of operations.

Our ability to accurately forecast our results during each quarter may be negatively impacted by the fact that a substantial percentage of our sales may be recorded in the final weeks or days of the quarter.

The markets we serve are typically characterized by a high percentage of purchase orders being received in the final few weeks or even days of each quarter. Although this varies from quarter to quarter, many customers make a large portion of their purchase decisions late in each quarter, in particular since it is during this period that they receive new information on both their budgets and requirements. As a result, even late in each quarter, we cannot predict with certainty whether our sales forecasts for the quarter will be achieved.

Historically, we have been able to rely on the overall pattern of customer purchase orders during prior periods to project with reasonable accuracy our anticipated sales for the current or coming quarters. However, if customer purchasing trends during a quarter vary from historical patterns as may occur with changes in market conditions, our quarterly financial results could deviate significantly from our projections. As a result, our sales forecasts for any given quarter may prove not to have been accurate. We also may not have sufficient, timely information to confirm or revise our sales projections for a specific quarter. If we fail to achieve our forecasted sales for a particular quarter, the value of our Common Shares could be adversely affected.

Changes in tax laws or their application could adversely affect our results of operations.

Changes in tax laws or their application with respect to matters such as changes in tax rates, transfer pricing and income allocation, utilization of tax loss carry forwards, intercompany dividends, controlled corporations, and limitations on tax relief allowed on the interest on intercompany debt, and changes to tax credit mechanisms, could increase our effective tax rate and adversely affect our results of operations. Additionally, changes in other laws, such as the U.S. health care reform legislation that was signed into law in the U.S. in 2010, may subject us to additional excise taxes. The increased tax burden as a result of changes in law may adversely affect our results of operations.

We have a significant amount of debt that may adversely affect our financial condition.

We have a significant amount of debt and debt service obligations. A high level of indebtedness increases the risk that we may default on our debt obligations. We cannot assure you that we will be able to generate sufficient cash flow to pay the interest on our debt or that future working capital, borrowings or equity financing will be available to repay or refinance our debt. If we are unable to generate sufficient cash flow to pay the interest on our debt, we may have to delay or curtail our research and development programs. The level of our indebtedness could, among other things:

- make it difficult for us to make required payments on our debt;
- make it difficult for us to obtain any financing in the future necessary for working capital, capital expenditures, debt service requirements or other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and
- make us more vulnerable in the event of a downturn in our business.

Our business may require substantial additional capital, which we may not be able to obtain on terms acceptable to us, if at all.

Our future capital requirements and level of expenses will depend upon numerous factors, including the costs associated with:

- marketing, sales and customer support efforts;
- research and development activities;
- expansion of our facilities;
- consummation of possible future acquisitions of technologies, products or businesses;
- demand for our products and services; and
- repayment or refinancing of debt.

We currently anticipate that our short-term capital requirements will be satisfied by cash flow from our operations. As of December 31, 2012, we had outstanding long-term loan facilities of approximately \$842.6 million, of which \$0.9 million was current and due in 2013. Furthermore, as of December 31, 2012, we had total capital lease obligations, excluding interest, of \$19.9 million, that expire in various years through 2018. We may need to refinance all or part of these liabilities before or at their contractual maturities.

We currently do not foresee that this will happen, but if at some point in time our existing resources should be insufficient to fund our activities, we may need to raise funds through public or private debt or equity financings. The funds for the refinancing of existing liabilities or for the ongoing funding of our business may not be available or, if available, not on terms

acceptable to us. If adequate funds are not available, we may be required to reduce or delay expenditures for research and development, production, marketing, capital expenditures and/or acquisitions, which could have a material adverse effect on our business and results of operations. To the extent that additional capital is raised through the sale of equity or convertible securities, the issuance of any securities could result in dilution to our shareholders.

An impairment of goodwill and intangible assets could reduce our earnings.

At December 31, 2012, our consolidated balance sheet reflected approximately \$1.8 billion of goodwill and approximately \$946.6 million of intangible assets. Goodwill is recorded when the purchase price of a business exceeds the fair value of the tangible and separately measurable intangible net assets. U.S. generally accepted accounting principles (U.S. GAAP) requires us to test goodwill for impairment on an annual basis or when events or circumstances occur indicating that goodwill might be impaired. Long-lived assets, such as intangible assets with finite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment review often cannot be done at the level of the individual asset and it must instead be applied to a group of assets. For the purpose of our annual goodwill impairment testing based on the current circumstances of how we manage our business, this group of assets is the Company as a whole. If we determine that any of our goodwill or intangible assets were impaired, we will be required to take an immediate charge to earnings and our results of operations could be adversely affected.

Exchange rate fluctuations may adversely affect our business and operating results.

Since we currently market our products throughout the world, a significant portion of our business is conducted in currencies other than the U.S. dollar, our reporting currency. As a result, fluctuations in value, relative to the U.S. dollar, of the currencies in which we conduct our business have caused and will continue to cause foreign currency transaction gains and losses. Foreign currency transaction gains and losses arising from normal business operations are charged against earnings in the period when incurred. We economically hedge a portion of the anticipated cash flow that we expect to exchange into other currencies, subject to our short-term financing needs. Due to the number of currencies involved, the variability of currency exposures and the potential volatility of currency exchange rates, we cannot predict the effects of future exchange rate fluctuations. While we may engage in foreign exchange hedging transactions to manage our foreign currency exposure, there can be no assurance that our hedging strategy will adequately protect our operating results from the effects of future exchange rate fluctuations.

Our strategic equity investments may result in losses.

We have made, and may continue to make, strategic investments in businesses as opportunities arise. We periodically review the carrying value of these investments for impairment, considering factors that include the most recent stock transactions, book values from the most recent financial statements, and forecasts and expectations of the investee. The results of these valuations may fluctuate due to market conditions and other conditions over which we have no control.

Estimating the fair value of non-marketable equity investments in life science companies is inherently subjective. If actual events differ from our assumptions and other than temporary unfavorable fluctuations in the valuations of the investments are indicated, we could be required to write-down the investment. This could result in future charges on our earnings that could materially adversely affect our results of operations. It is uncertain whether or not we will realize any long-term benefits from these strategic investments.

Risk of price controls is a threat to our profitability.

The ability of many of our customers to successfully market their products depends in part on the extent to which reimbursement for the costs of these products is available from governmental health administrations, private health insurers and other organizations. Governmental and other third-party payors are increasingly seeking to contain healthcare costs and to reduce the price of medical products and services. As a result, the biotechnology, diagnostics and pharmaceutical industries are exposed to the potential risk of price controls by these entities. If there are not adequate reimbursement levels, our business and results of operations could be adversely affected.

Doing business internationally creates certain risks for our business.

Our business involves operations in several countries outside of the U.S. Our consumable manufacturing facilities are located in Germany, China, France, the United Kingdom and the U.S., and our instrumentation facilities are located in Switzerland. We source raw materials and subcomponents to manufacture our products from different countries. We have established sales subsidiaries in numerous countries including the U.S., Germany, Japan, the United Kingdom, France, Switzerland, Australia, Canada, the Netherlands, Sweden, Italy, Hong Kong, Singapore, Turkey, South Korea, Taiwan, Malaysia, China, Spain, Brazil, Mexico, Russia and India. In addition, our products are sold through independent distributors serving more than 40 other countries. Conducting and launching operations on an international scale requires close coordination

of activities across multiple jurisdictions and time zones and consumes significant management resources. We have invested heavily in computerized information systems in order to manage more efficiently the widely dispersed components of our operations. If we fail to coordinate and manage these activities effectively, our business and results of operations will be adversely affected.

Our operations are subject to other risks inherent in international business activities, such as general economic conditions in the countries in which we operate, longer accounts receivable payment cycles in certain countries, overlap of different tax structures, unexpected changes in regulatory requirements, and compliance with a variety of foreign laws and regulations. Other risks associated with international operations include import and export licensing requirements, trade restrictions, exchange controls and changes in tariff and freight rates, as may occur as a result of rising energy costs. As a result of these conditions, an inability to successfully manage our international operations could have a material adverse impact on our business and results of operations.

Our business in countries with a history of corruption and transactions with foreign governments increase the risks associated with our international activities.

Based on our international operations, we are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, the U.K. Bribery Act and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by business entities for the purpose of obtaining or retaining business. We have operations, agreements with third parties and make sales in countries known to experience corruption. Further international expansion may involve increased exposure to such practices. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants, sales agents or distributors that could be in violation of various laws, including the FCPA, even though these parties are not always subject to our control. It is our policy to implement safeguards to discourage these practices by our employees and distributors. However, our existing safeguards and any future improvements may not prove to be effective, and our employees, consultants, sales agents or distributors may engage in conduct for which we might be held responsible. Violations of the FCPA and other laws may result in criminal or civil sanctions, which could be severe, and we may be subject to other liabilities, which could negatively affect our business, results of operations and financial condition.

We have made investments in and are expanding our business into emerging markets and regions, which exposes us to risks.

Our top seven emerging markets are Brazil, Russia, India, China, South Korea, Mexico and Turkey and we expect to continue to focus on expanding our business in these or other fast-growing markets. In addition to the currency and international operation risks described above, our international operations are subject to a variety of risks that include those arising out of the economy, political outlook and language and cultural barriers in countries where we have operations or do business. In many of these emerging markets, we may be faced with several risks that are more significant than in other countries in which we have a history of doing business. These risks include economies that may be dependent on only a few products and are therefore subject to significant fluctuations, weak legal systems which may affect our ability to enforce contractual rights, exchange controls, unstable governments, and privatization or other government actions affecting the flow of goods and currency. In conducting our business, we move products from one country to another and may provide services in one country from a subsidiary located in another country. Accordingly, we are vulnerable to abrupt changes in customs and tax regimes that could have significant negative impacts on our results of operations.

Our global operations may be affected by actions of governments, global or regional economic developments, weather or transportation delays, natural disasters or other force majeure events (collectively, unforeseen events) which may negatively impact our suppliers, our customers or us.

Our business involves operations around the world. Our consumable manufacturing facilities are located in Germany, China, France, the United Kingdom and the U.S., and our instrumentation facilities are located in Switzerland. We have established sales subsidiaries in numerous countries and our products are sold through independent distributors serving more than 40 additional countries. Our facilities may be harmed by unforeseen events, and in the event we or our customers are affected by a disaster, we may experience delays or reductions in sales or production, or increased costs, or may be required to identify alternate suppliers or rely on third-party manufacturers.

Our instrumentation manufacturing processes are dependent upon certain components provided by third-party suppliers located in Japan, which experienced a severe earthquake followed by a tsunami in March 2011. To the extent that our suppliers are impacted by a natural disaster or other disruption, we may experience periods of reduced production. Any unexpected interruptions in our production capabilities may lead to delayed or lost sales and may adversely affect our results of operations for the affected period.

In addition, to the extent we temporarily shutdown any facility following such an unforeseen event, we may experience

disruptions in our ability to ship products to customers or otherwise operate our business as a result of the unforeseen event. While our global operations give us the ability to ship product from alternative sites, we may not be able to do so because our customers' facilities are shutdown or the local logistics infrastructure is not functioning, and our sales will suffer.

Damage to our property due to unforeseen events and the disruption of our business from casualties may be covered by insurance, but this insurance may not be sufficient to cover all of our potential losses and such insurance may not continue to be available to us on acceptable terms, or at all. In addition, we may incur incremental costs following an unforeseen event which will reduce profits and adversely affect our results of operations.

We depend on patents and proprietary rights that may fail to protect our business.

Our success depends to a large extent on our ability to develop proprietary products and technologies and to establish and protect our patent and trademark rights in these products and technologies. As of December 31, 2012, we owned 193 issued patents in the United States, 143 issued patents in Germany and 767 issued patents in other major industrialized countries. In addition, at December 31, 2012, we had 972 pending patent applications, and we intend to file applications for additional patents as our products and technologies are developed. The patent positions of technology-based companies involve complex legal and factual questions and may be uncertain, and the laws governing the scope of patent coverage and the periods of enforceability of patent protection are subject to change. In addition, patent applications in the United States are maintained in secrecy until patents issue, and publication of discoveries in the scientific or patent literature tends to lag behind actual discoveries by several months. Therefore, no assurance can be given that patents will issue from any patent applications that we own or license or if patents do issue, that the claims allowed will be sufficiently broad to protect our technology. In addition, no assurance can be given that any issued patents that we own or license will not be challenged, invalidated or circumvented, or that the rights granted thereunder will provide us competitive advantages. Further, as issued patents expire, we may lose some competitive advantage as others develop competing products and as a result, we may lose revenue.

A significant portion of HPV-related intellectual property is in the public domain, while additional HPV-related intellectual property is subject to our patents some of which will begin to expire in the next few years or are licensed to us on a non-exclusive basis. As a result, other companies have developed or may develop HPV detection tests.

Certain of our products incorporate patents and technologies that are licensed from third parties and for certain products, these in-licensed patents together with other patents provide us with a competitive advantage. These licenses impose various commercialization, sublicensing and other obligations on us. Our failure to comply with these requirements could result in the conversion of the applicable license from being exclusive to non-exclusive or, in some cases, termination of the license, and as a result, we may lose some competitive advantage and experience a loss of revenue.

We also rely on trade secrets and proprietary know-how, which we seek to protect through confidentiality agreements with our employees and consultants. There can be no assurance that any confidentiality agreements that we have with our employees, consultants, outside scientific collaborators and sponsored researchers and other advisors will provide meaningful protection for our trade secrets or adequate remedies in the event of unauthorized use or disclosure of such information. There also can be no assurance that our trade secrets will not otherwise become known or be independently developed by competitors.

We currently engage in, and may continue to engage in, collaborations with academic researchers and institutions. There can be no assurance that under the terms of such collaborations, third parties will not acquire rights in certain inventions developed during the course of these collaborations.

We are subject to risks associated with patent litigation.

The biotechnology industry has been characterized by extensive litigation regarding patents and other intellectual property rights. We are aware that patents have been applied for and/or issued to third parties claiming technologies for the sample and assay technologies that are closely related to those we use. From time to time, we receive inquiries requesting confirmation that we do not infringe patents of third parties. We endeavor to follow developments in this field, and we do not believe that our technologies or products infringe any proprietary rights of third parties. However, there can be no assurance that third parties will not challenge our activities and, if so challenged, that we will prevail. In addition, the patent and proprietary rights of others could require that we alter our products or processes, pay licensing fees or cease certain activities, and there can be no assurance that we will be able to license any technologies that we may require on acceptable terms. In addition, litigation, including proceedings that may be declared by the U.S. Patent and Trademark Office or the International Trade Commission, may be necessary to respond to any assertions of infringement, enforce our patent rights and/or determine the scope and validity of our proprietary rights or those of third parties. Litigation could involve substantial cost, and there can be no assurance that we would prevail in any proceedings.

Our business exposes us to potential product liability.

The marketing and sale of our products and services for certain applications entail a potential risk of product liability.

Although we are not currently subject to any material product liability claims, product liability claims may be brought against us in the future. Further, there can be no assurance that our products will not be included in unethical, illegal or inappropriate research or applications, which may in turn put us at risk of litigation. We carry product liability insurance coverage, which is limited in scope and amount. There can be no assurance that we will be able to maintain this insurance at a reasonable cost and on reasonable terms, or that this insurance will be adequate to protect us against any or all potential claims or losses.

We are subject to various laws and regulations generally applicable to businesses in the different jurisdictions in which we operate, including laws and regulations applicable to the handling and disposal of hazardous substances. The risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result, and any such liability could have a material adverse impact on us.

Our operating results may vary significantly from period to period and this may affect the market price of our Common Shares.

Our operating results may vary significantly from quarter to quarter, and also from year to year, since they are dependent upon a broad range of factors that include demand for our products, the level and timing of customer research budgets and commercialization efforts, the timing of government funding budgets of our customers, the timing of our research and development activities and related regulatory approvals, the impact of sales and marketing expenses, the introduction of new products by us or our competitors, competitive market conditions, exchange rate fluctuations and general economic conditions. Our expense levels are based in part on our expectations as to future sales trends. As a result, sales and earnings may vary significantly from quarter to quarter or from year to year, and actual sales and earnings results in any one period will not necessarily be indicative of results to be anticipated in subsequent periods. Our results may also fail to meet or exceed the expectations of securities analysts or investors, which could cause a decline in the market price of our Common Shares.

Our holding company structure makes us dependent on the operations of our subsidiaries.

QIAGEN N.V. is incorporated under Dutch law as a public limited liability company (*naamloze vennootschap*), and is organized as a holding company. Currently, the material assets are the outstanding shares of the QIAGEN subsidiaries, intercompany receivables and other financial assets such as cash and short-term investments. As a result, QIAGEN N.V. is dependent upon payments, dividends and distributions from the subsidiaries for funds to pay operating and other expenses as well as to pay future cash dividends or distributions, if any, to holders of our Common Shares. Dividends or distributions by subsidiaries in a currency other than the U.S. dollar may result in a loss upon a subsequent conversion into U.S. dollars.

U.S. civil liabilities may not be enforceable against us.

We are incorporated under Dutch law, and substantial portions of our assets are located outside of the U.S. In addition, certain members of our Managing and Supervisory Boards and our officers reside outside the U.S. As a result, it may be difficult for investors to effect service of process within the U.S. upon us or such other persons, or to enforce outside the U.S. any judgments obtained against such persons in U.S. courts, in any action, including actions predicated upon the civil liability provisions of U.S. securities laws.

In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the U.S., rights predicated upon the U.S. securities laws. There is no treaty between the U.S. and the Netherlands for the mutual recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. As a result, a final judgment for the payment of money rendered by any federal or state court in the U.S. based on civil liability, whether or not predicated solely upon the federal securities laws, would not be directly enforceable in the Netherlands. However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in the Netherlands, such party may submit to the Dutch court the final judgment which has been rendered in the U.S. If the Dutch court finds that the jurisdiction of the federal or state court in the U.S. has been based on grounds that are internationally acceptable and that proper legal procedures have been observed, the Dutch court will, in principle, give binding effect to the final judgment which has been rendered in the U.S. unless such judgment contravenes Dutch principles of public policy. Based on the foregoing, there can be no assurance that U.S. investors will be able to enforce against us, members of our Managing or Supervisory Boards, or officers who are residents of the Netherlands or countries other than the U.S. any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the federal securities laws. In addition, there is doubt as to whether a Dutch court would impose civil liability on us, the members of our Managing or Supervisory Boards, or our officers in an original action predicated solely upon the federal securities laws of the U.S. brought in a court of competent jurisdiction in the Netherlands against us or such members or officers, respectively.

Our Common Shares may have a volatile public trading price.

The market price of our Common Shares since our initial public offering in September 1996 has increased significantly and been highly volatile. In the last two years, the price of our Common Shares has ranged from a high of \$22.20 to a low of

\$12.47 on NASDAQ, and a high of €15.25 to a low of €9.07 on the Frankfurt Stock Exchange. In addition to overall stock market fluctuations, factors that may have a significant impact on the price of our Common Shares include:

- announcements of technological innovations or the introduction of new products by us or our competitors;
- developments in our relationships with collaborative partners;
- quarterly variations in our operating results or those of our peer companies;
- changes in government regulations, tax laws or patent laws;
- developments in patent or other intellectual property rights;
- developments in government spending budgets for life sciences-related research;
- general market conditions relating to the diagnostics, applied testing, pharmaceutical and biotechnology industries; and
- impact from foreign exchange rates.

The stock market has from time to time experienced extreme price and trading volume fluctuations that have particularly affected the market for technology-based companies. These fluctuations have not necessarily been related to the operating performance of these companies. These broad market fluctuations may adversely affect the market price of our Common Shares.

Holders of our Common Shares should not expect to receive dividend income.

We have not paid cash dividends since our inception and do not anticipate paying any cash dividends on our Common Shares for the foreseeable future. Although we do not anticipate paying any cash dividends, the distribution of any cash dividends in a currency other than the U.S. dollar will be subject to the risk of foreign currency transaction losses. Investors should not invest in our Common Shares if they are seeking dividend income; the only return that may be realized through investing in our Common Shares would be through an appreciation in the share price.

Shareholders who are United States residents could be subject to unfavorable tax treatment.

We may be classified as a “passive foreign investment company,” or a PFIC, for U.S. federal income tax purposes if certain tests are met. Our treatment as a PFIC could result in a reduction in the after-tax return to holders of Common Shares and would likely cause a reduction in the value of these shares. If we were determined to be a PFIC for U.S. federal income tax purposes, highly complex rules would apply to our U.S. shareholders. We would be considered a PFIC with respect to a U.S. shareholder if for any taxable year in which the U.S. shareholder held the Common Shares, either (i) 75% or more of our gross income for the taxable year is passive income; or (ii) the average value of our assets (during the taxable year) which produce or are held for the production of passive income is at least 50% of the average value of all assets for such year. Based on our income, assets and activities, we do not believe that we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2012, and do not expect to be a PFIC for the current taxable year or any future taxable year. No assurances can be made, however, that the Internal Revenue Service will not challenge this position or that we will not subsequently become a PFIC. In countries outside the U.S., other or similar tax regimes may apply and result in unfavorable tax treatment for any dividends received.

Future sales and issuances of our Common Shares could adversely affect our stock price.

Any future sale or issuance of a substantial number of our Common Shares in the public market, or any perception that a sale may occur, could adversely affect the market price of our Common Shares. Under Dutch law, a company can issue shares up to its authorized share capital provided for in its Articles of Association. Pursuant to our Articles of Association, our authorized share capital amounts to EUR 9.0 million, which is divided into 410.0 million common shares, 40.0 million financing preference shares and 450.0 million preference shares, with all shares having a EUR 0.01 par value. As of December 31, 2012, a total of approximately 236.5 million Common Shares were outstanding along with approximately 12.3 million additional shares reserved for issuance upon exercise or release of outstanding stock options and awards, of which 4.3 million were vested. A total of approximately 19.9 million Common Shares are reserved and available for issuances under our stock plans as of December 31, 2012, including the shares subject to outstanding stock options and awards. The majority of our outstanding Common Shares are free for sale, except shares held by our affiliates, which are subject to certain limitations on resale. Additionally, holders of notes issued by QIAGEN Finance (Luxembourg) S.A. and QIAGEN Euro Finance (Luxembourg) S.A. are entitled to convert their notes into approximately 26.5 million Common Shares, subject to adjustments in certain cases.

Provisions of our Articles of Association and Dutch law and an option we have granted may make it difficult to replace

or remove management and may inhibit or delay a takeover.

Our Articles of Association, or Articles, provide that our shareholders may only suspend or dismiss our Managing Directors and Supervisory Directors against their wishes with a vote of two-thirds of the votes cast if such votes represent more than 50% of our issued share capital. If the proposal was made by the joint meeting of the Supervisory Board and the Managing Board, a simple majority is sufficient. The Articles also provide that if the members of our Supervisory Board and our Managing Board have been nominated by the joint meeting of the Supervisory Board and Managing Board, shareholders may only overrule this nomination with a vote of two-thirds of the votes cast if such votes represent more than 50% of our issued share capital.

Certain other provisions of our Articles allow us, under certain circumstances, to prevent a third party from obtaining a majority of the voting control of our Common Shares through the issuance of Preference Shares. Pursuant to our Articles and the resolution adopted by our General Meeting of Shareholders, our Supervisory Board is entitled to issue Preference Shares in case of an intended takeover of our company by (i) any person who alone or with one or more other persons, directly or indirectly, have acquired or given notice of an intent to acquire (beneficial) ownership of an equity stake which in aggregate equals 20% or more of our share capital then outstanding or (ii) an “adverse person” as determined by the Supervisory Board. If the Supervisory Board opposes an intended takeover and authorizes the issuance of Preference Shares, the bidder may withdraw its bid or enter into negotiations with the Managing Board and/or Supervisory Board and agree on a higher bid price for our Shares.

In 2004, we granted an option to the Stichting Preferente Aandelen QIAGEN, or the Foundation (*Stichting*), subject to the conditions described in the paragraph above, which allows the Foundation to acquire Preference Shares from us. The option enables the Foundation to acquire such number of Preference Shares as equals the number of our outstanding Common Shares at the time of the relevant exercise of the option, less one Preference Share. When exercising the option and exercising its voting rights on these Preference Shares, the Foundation must act in our interest and the interests of our stakeholders. The purpose of the Foundation option is to prevent or delay a change of control that would not be in the best interests of us and our stakeholders. An important restriction on the Foundation’s ability to prevent or delay a change of control is that a public offer must be announced by a third party before it can issue (preference or other) protective shares that would enable the Foundation to exercise rights to 30% or more of the voting rights without an obligation to make a mandatory offer for all shares held by the remaining shareholders. In addition, the holding period for these shares by the Foundation is restricted to two years, and this protective stake must fall below the 30% voting rights threshold before the two-year period ends.

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 statements included in this Annual Report and the documents incorporated herein by reference may be forward-looking statements 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 “believe,” “hope,” “plan,” “intend,” “seek,” “may,” “will,” “could,” “should,” “would,” “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. Factors which could cause such results to differ materially from those described in the forward-looking statements include those set forth in the risk factors below. As a result, our future success involves a high degree of risk. When considering forward-looking statements, you should keep in mind that the risk factors could cause our actual results to differ significantly from those contained in any forward-looking statement.

Significant direct and indirect shareholdings

The following table sets forth certain information as of December 31, 2012, concerning the ownership of Common Shares of each holder of greater than five percent ownership. None of these holders have any different voting rights than other holders of our Common Shares.

<u>Name and Country of Residence</u>	<u>Shares Beneficially Owned Number</u>	<u>Percent Ownership⁽¹⁾</u>
BlackRock, Inc., United States	14,198,775 (2)	6.00%

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- (1) The percentage ownership was calculated based on 236,486,584 Common Shares issued and outstanding as of December 31, 2012.
 - (2) Of the 14,198,775 shares attributed to BlackRock, Inc., it has sole voting power and sole dispositive power over all 14,198,775 shares. This information is based solely on the Schedule 13G filed by BlackRock, Inc. with the Securities and Exchange Commission on February 5, 2013, which reported ownership as of December 31, 2012.

Our common stock is traded on the NASDAQ Global Select Market in the United States and on the Prime Standard Segment of the Frankfurt Stock Exchange in Germany. A significant portion of our shares are held electronically in the account of a stockbroker, therefore we generally have no way of determining who our shareholders are, their geographical location or how many shares a particular shareholder owns. As of January 27, 2013, there were 198 shareholders of record of our Common Shares.

Holders of any securities with special control rights

Not applicable.

System of control of any employee share scheme where the control rights are not exercised directly by the employees

Not applicable.

Restrictions on voting rights

At the General Meeting, each share shall confer the right to cast one vote, unless otherwise provided by law or the Articles. No votes may be cast in respect of shares that we or our subsidiaries hold, or by usufructuaries and pledges of shares. All shareholders and other persons entitled to vote at General Meetings are entitled to attend General Meetings, to address the meeting and to vote. They must notify the Managing Board in writing of their intention to be present or represented not later than on the third day prior to the day of the meeting, unless the Managing Board permits notification within a shorter period of time prior to any such meeting. Subject to certain exceptions, resolutions may be passed by a simple majority of the votes cast.

Agreements between shareholders which are known to the Company and may result in restrictions on the transfer of securities and/or voting rights

Not applicable.

Rules governing the appointment and replacement of board members and the amendment of the articles of association

Supervisory Directors and Managing Directors are appointed annually for the period beginning on the date following the Annual General Meeting up to and including the date of the Annual General Meeting held in the following fiscal year.

Managing Directors shall be appointed by the general meeting upon the joint meeting of the Supervisory board and the Managing Board, or Joint Meeting, having made a binding nomination for each vacancy. However, the General Meeting may at all times overrule the binding nature of such a nomination by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half the issued share capital. This is different from the provisions of many American corporate statutes, including the Delaware General Corporation Law, which give the directors of a corporation greater authority in choosing the executive officers of a corporation. Under our Articles, the general meeting may suspend or dismiss a managing director at any time. The Supervisory Board shall also at all times be entitled to suspend (but not to dismiss) a Managing Director. The Articles provide that the Supervisory Board may adopt management rules governing the internal organization of the Managing Board.

The Supervisory Directors shall be appointed by the General Meeting upon the Joint Meeting having made a binding nomination for each vacancy. If during a financial year a vacancy occurs in the Supervisory Board, the Supervisory Board may appoint a Supervisory Director who will cease to hold office at the next Annual General Meeting. Under Dutch law and the Dutch Corporate Governance Code, a Supervisory Director must excuse him or herself in the case of any conflict of interest. Decisions to enter into transactions under which a Supervisory Director would have a conflict of interest that are of material significance to QIAGEN and/or to the Supervisory Director concerned, require the approval of the Supervisory Board. Under our Articles, the General Meeting may suspend or dismiss a Supervisory Director at any time. This is different from the provisions of many American corporate statutes, including the Delaware General Corporation Law, which provides that directors may vote to fill vacancies in the board of directors of a corporation.

The Selection and Appointment Committee prepares the selection criteria and appointment procedures for members of our Supervisory Board and the Managing Board; periodically evaluates the scope and composition of the Managing Board and

Supervisory Board and proposes the profile of the Supervisory Board in relation thereto. Additionally, the Committee periodically evaluates the functioning of individual members of the Managing Board and Supervisory Board and reports the results thereof to the Supervisory Board and proposes the (re-)appointments of members of our Managing Board and Supervisory Board. The Committee prepares and submits to the Supervisory Board on an annual basis a report of its deliberations and findings.

A resolution of the General Meeting to amend the Articles, dissolve QIAGEN, issue shares or grant rights to subscribe for shares or limit or exclude any pre-emptive rights to which shareholders shall be entitled is valid only if proposed to the General Meeting by the Supervisory Board.

A resolution of the General Meeting to amend the Articles is further only valid if the complete proposal has been made available for inspection by the shareholders and the other persons entitled to attend General Meetings at our offices as from the day of notice convening such meeting until the end of the meeting. A resolution to amend the Articles to change the rights attached to the shares of a specific class requires the approval of the relevant class meeting.

Powers of board members and in particular the power to issue or buy back shares

The Managing Board manages QIAGEN and is responsible for achieving QIAGEN's aims, strategy, policies and results. The Managing Board is also responsible for complying with all relevant legislation and regulations, for managing the risks associated with the activities of QIAGEN and the financing of QIAGEN. It reports related developments to and discusses the internal risk management and control systems with the Supervisory Board and the Audit Committee. The Managing Board is accountable for the performance of its duties to the Supervisory Board and the General Meeting of Shareholders. The Managing Board provides the Supervisory Board with timely information necessary for the exercise of the duties of the Supervisory Board. In discharging its duties, the Managing Board takes into account the interests of QIAGEN, its enterprise and all parties involved in QIAGEN, including shareholders and other stakeholders.

The members of our Supervisory Board have the powers assigned to them by Dutch law and the Articles. The Supervisory Board assists the Managing Board by providing advice relating to the business activities of QIAGEN. In discharging its duties, the Supervisory Board takes into account the interests of QIAGEN, its enterprise and all parties involved in QIAGEN, including shareholders and other stakeholders. In particular, the Supervisory Board has the authority to (i) issue common shares up to its presently authorized capital of 410 million, (ii) issue Financing Preference Shares up to its presently authorized capital of 40 million (iii) grant rights to subscribe for such common shares and Financing Preference Shares and (iv) exclude or limit the pre-emptive rights of existing shareholders relating to up to 50% of the number of common shares to be issued or rights to subscribe for common shares.

We may acquire our own shares, subject to certain provisions of Dutch law and our Articles, if (i) shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-up and called-up capital and any reserves required by Dutch law or the Articles and (ii) we and our subsidiaries would not thereafter hold shares with an aggregate nominal value exceeding half of our issued share capital. Shares that we hold in our own capital or shares held by one of our subsidiaries may not be voted. The Managing Board, subject to the approval of the Supervisory Board, may effect our acquisition of shares in our own capital. Our acquisitions of shares in our own capital may only take place if the General Meeting has granted to the Managing Board the authority to effect such acquisitions. Such authority may apply for a maximum period of 5 years and must specify the number of shares that may be acquired, the manner in which shares may be acquired and the price limits within which shares may be acquired. Dutch corporate law allows for the authorisation of the Managing Board to purchase a number of shares equal to up to 50% of the Company's issued share capital on the date of the acquisition. On June 27, 2012, the General Meeting resolved to extend the authorization of the Managing Board in such manner that the Managing Board may cause us to acquire shares in our own share capital, up to 10% of the outstanding shares, for an 18-month period beginning June 27, 2012 until December 27, 2013, without limitation at a price between one Euro cent (Euro 0.01) and one hundred ten percent (110%) of the price for such shares on the NASDAQ Global Select Market for the five trading days prior to the day of purchase, or, with respect to Preference and Finance Preference shares, against a price between one Euro cent (Euro 0.01) and three times the issuance price and in accordance with applicable provisions of Dutch law and our Articles.

Significant agreements to which the Company is a party and which take effect alter or terminate upon a change of control of the Company following a takeover bid

Certain other provisions of our Articles allow us, under certain circumstances, to prevent a third party from obtaining a majority of the voting control of our common shares by issuing preference shares. Pursuant to our Articles and the resolution adopted by our General Meeting on June 16, 2004, QIAGEN's Supervisory Board is entitled to resolve to issue Preference Shares in case of an intended take-over of our Company by (i) any person who alone or with one or more other persons, directly or indirectly, have acquired or given notice of an intent to acquire (beneficial) ownership of an equity stake which in aggregate equals 20% or more of our share capital then outstanding or (ii) an "adverse person" as determined by the Supervisory Board. If the Supervisory Board

opposes an intended take-over and authorizes the issuance of preference shares, the bidder may withdraw its bid or enter into negotiations with the Managing Board and/or Supervisory Board and agree on a higher bid price for our shares.

In 2004 (as amended in 2008), we granted an option to the Stichting Preferente Aandelen QIAGEN (the “Foundation” (Stichting)), whereby the exercise of the option by the Foundation is subject to the conditions described in the paragraph above and which option allows the Foundation to acquire preference shares from us. The option enables the Foundation to acquire such number of preference shares as equals the number of our outstanding common shares at the time of the relevant exercise of the right less one share. When exercising the option and exercising its voting rights on such shares, the Foundation must act in our interest and the interests of our stakeholders. The purpose of the Foundation option is to prevent or delay a change of control that would not be in the best interests of us and our stakeholders. An important restriction on the Foundation’s ability to prevent or delay a change of control is that issuing (preference or other) protective shares enabling the Foundation to exercise 30% or more of the voting rights without the obligation to make a mandatory offer for all shares held by the remaining shareholders, is only allowed after a public offer has been announced by a third party. In addition, the holding of such a block of shares by the Foundation is restricted to two years and as a consequence, the size of the protective stake will need to be decreased below the 30% voting rights threshold before the two year period lapses.

During 2005, we adopted the QIAGEN N.V. Amended and Restated 2005 Stock Plan (the Plan) which was approved by our shareholders on June 14, 2005. Pursuant to the Plan, stock rights, which include options to purchase our common shares, stock grants and stock-based awards, may be granted to employees and consultants of QIAGEN and its subsidiaries and to Supervisory Directors. An aggregate of 31.0 million common shares have been reserved for issuance pursuant to the Plan, subject to certain antidilution adjustments. Options granted pursuant to the Plan may either be incentive stock options within the meaning of Section 422 of the United States Internal Revenue Code of 1986, as amended (the Code), or non-qualified stock options. Options granted to members of the Supervisory Board and the Managing Board must have an exercise price that is higher than the market price at the time of grant. Generally, each of the options has a term of ten years, subject to earlier termination in the event of death, disability or other termination of employment.

The Plan is administered by the Compensation Committee of the Supervisory Board, which selects participants from among eligible employees, consultants and directors and determines the number of shares subject to the option, the length of time the option will remain outstanding, the manner and time of the option’s exercise, the exercise price per share subject to the option and other terms and conditions of the option consistent with the Plan. The Compensation Committee’s decisions are subject to the approval of the Supervisory Board.

The vesting and exercisability of certain stock rights will be accelerated in the event of a Change of Control. A “Change of Control” means the occurrence of a merger or consolidation of QIAGEN, whether or not approved by the Board of Directors, other than a merger or consolidation which would result in the voting securities of QIAGEN outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or the parent of such corporation) at least 50% of the total voting power represented by the voting securities of QIAGEN or such surviving entity or parent of such corporation, as the case may be, outstanding immediately after such merger or consolidation, or the stockholders of QIAGEN approve an agreement for the sale or disposition by QIAGEN of all or substantially all of QIAGEN’s assets.

Certain of our employment contracts contain provisions which guarantee the payments of certain amounts in the event of a change in control, as defined in the agreements, or if the executive is terminated for reasons other than cause, as defined in the agreements. At December 31, 2012, the commitment under these agreements totaled \$15.3 million (2011: \$19.2 million).

Agreements between the Company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid

The members of the Managing Board are appointed annually by the General Meeting of Shareholders based on the nomination of the Joint Meeting. Further, the members of the Managing Board have entered into employment agreements with QIAGEN N.V. and other QIAGEN affiliates. The term of these agreements varies for each Managing Board member due to individual arrangements and goes beyond the one year term of appointment by the General Meeting of Shareholders. These agreements cannot be terminated without cause and, absent such cause, have to be fulfilled during their stated term. There are no arrangements for any extra compensation in case of resignation or redundancy.

The members of the Supervisory Board are also appointed annually by the General Meeting of Shareholders based on the nomination of the Joint Meeting. There are no additional employments in place and there are no arrangements for any extra compensation in case of resignation or redundancy. The General Meeting determines the remuneration of the members of the Supervisory Board.

Reporting in accordance with Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004, on takeover bids

Structure of our capital, including securities which are not admitted to trading on a regulated market in a Member State

of the European Union

The authorized classes of our shares consist of common shares, Financing Preference Shares and Preference Shares. No Financing Preference Shares or Preference Shares have been issued.

As of December 31, 2012, a total of approximately 236.5 million Common Shares were outstanding along with approximately 12.3 million additional shares reserved for issuance upon exercise or release of outstanding stock options and awards, of which 4.3 million were vested. A total of approximately 19.9 million Common Shares are reserved and available for issuances under our stock plans as of December 31, 2012, including the shares subject to outstanding stock options and awards. The majority of our outstanding Common Shares are free for sale, except shares held by our affiliates, which are subject to certain limitations on resale. Additionally, holders of notes issued by QIAGEN Finance (Luxembourg) S.A. and QIAGEN Euro Finance (Luxembourg) S.A. are entitled to convert their notes into approximately 26.5 million Common Shares, subject to adjustments in certain cases.

Common Shares - Restrictions on the transfer of securities

Common Shares are issued in registered form only. Common Shares are available either without issue of a share certificate, or Type I shares, or with issue of a share certificate, or Type II shares, in either case in the form of an entry in the share register. At the discretion of the Supervisory Board, Type I shares may be issued and the holders of such Type I shares will be registered in either our shareholders register with American Stock Transfer & Trust Company, or New York Transfer Agent, our transfer agent and registrar in New York, or our shareholder register with TMF FundServices B.V., Westblaak 89, NL-3012 KG Rotterdam, the Netherlands. The Type II shares are registered with our New York Transfer Agent.

The transfer of registered shares requires that we issue a written instrument of transfer and the written acknowledgment of such transfer (or, in the case of Type II shares, the New York Transfer Agent (in our name)), and surrender of the share certificates, if any, to us or (in our name) to the New York Transfer Agent. Upon surrender of a share certificate for the purpose of transfer of the relevant shares, we (or the New York Transfer Agent in our name) acknowledge the transfer by endorsement on the share certificate or by issuance of a new share certificate to the transferee, at the discretion of the Managing Board.

Subsequent Event

Since December 31, 2012 and through March 29, 2013, we have repurchased 3.1 million shares of common shares under the share repurchase program discussed more fully in Note 19, for approximately \$63.3 million, in total.

Outlook

As an international company, QIAGEN is exposed to a wide variety of developments in the various markets in which it operates. Our strategy is to growth opportunities presented by the dissemination of molecular technologies across the four customer classes in Molecular Diagnostics, Applied Testing, Pharma and Academia. Due to increased life expectancy for people living in developed countries, and also the dynamic growth of healthcare demand in many emerging markets, the need for innovative diagnostics is increasing at a marked pace. This is underscored by the proven benefits of diagnostics to improve healthcare outcomes, particularly the advent of companion diagnostics to personalize healthcare, while still representing a small fraction of overall healthcare expenditures. Our internal R & D activities present major opportunities, and we are working to find new products and improve existing ones across our portfolio of Sample & Assay Technologies. All of these factors represent future growth opportunities for QIAGEN.

Venlo, The Netherlands, April 22, 2013

Peer M. Schatz

Chief Executive Officer

Corporate Governance Report

We recognize the importance of clear and straightforward rules on corporate governance and, where appropriate, have adapted our internal organization and processes to these rules. This section provides an overview of QIAGEN's corporate governance structure and includes details of the information required under the Dutch Corporate Governance Code (the "Code"). The Code is applicable to QIAGEN N.V. (in the following also referred to as the "Company"), as it is a publicly listed company incorporated under the laws of the Netherlands with a registered seat in Venlo, the Netherlands. The Code contains the principles and concrete provisions which the persons involved in a listed company (including Managing Board members and Supervisory Board members) and stakeholders should observe in relation to one another.

Our corporate governance practices generally derive from the provisions of the Dutch Civil Code and the Dutch Corporate Governance Code. Further, due to our listings at the German Stock Exchange in Frankfurt and the NASDAQ exchange in the U.S., the Managing Board and the Supervisory Board of QIAGEN N.V. declared their intention to disclose in QIAGEN's Annual Reports the Company's compliance with the German Corporate Governance Code adopted by the Government Commission on the German Corporate Governance Code pursuant to §161 of the German Stock Corporation Law and the corporate governance practices followed by U.S. companies under the NASDAQ listing standards or state the deviations recorded in the period.

Corporate Structure

QIAGEN is a public company with limited liability (*naamloze vennootschap*) incorporated under Dutch law similar to a "Corporation" (Inc.) in the United States. QIAGEN has a two-tiered board structure. QIAGEN is managed by a Managing Board, which is supervised and advised by a Supervisory Board. It is in the interest of QIAGEN and all its stakeholders that each Board performs its functions appropriately and that there is a clear division of responsibilities between the Managing Board, the Supervisory Board, the general meeting of shareholders ("General Meeting") and the external auditor in a well-functioning system of checks and balances.

Managing Board

General

The Managing Board is responsible for the management and the general affairs of QIAGEN as well as defining and achieving QIAGEN's aims, strategy, policies and results. The Managing Board is also responsible for complying with all relevant legislation and regulations as well as for managing the risks associated with the business activities and the financing of QIAGEN. It reports related developments to and discusses the internal risk management and control systems with the Supervisory Board and the Audit Committee. The Managing Board is accountable for the performance of its duties to the Supervisory Board and the General Meeting. The Managing Board provides the Supervisory Board with timely information necessary for the exercise of the duties of the Supervisory Board. In discharging its duties, the Managing Board takes into account the interests of QIAGEN, its enterprises and all parties involved in QIAGEN, including shareholders and other stakeholders.

Composition and Appointment

The Managing Board consists of one or more members as determined by the Supervisory Board. The members of the Managing Board are appointed by the General Meeting upon the joint meeting of the Supervisory Board and the Managing Board (the "Joint Meeting") having made a binding nomination for each vacancy. However, the General Meeting may at all times overrule the binding nature of such a nomination by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half the issued share capital. Managing Directors are appointed annually for the period beginning on the date following the Annual General Meeting up to and including the date of the Annual General Meeting held in the following year.

Members of the Managing Board may be suspended and dismissed by the General Meeting by a resolution adopted by a two-thirds majority of the votes cast, if such majority represents more than half of the issued share capital, unless the proposal was made by the Joint Meeting, in which case a simple majority of votes cast is sufficient. Furthermore, the Supervisory Board may at any time suspend (but not dismiss) a member of the Managing Board.

Our Managing Directors during 2012 and their ages as of January 27, 2013, are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Peer M. Schatz	47	Managing Director, Chief Executive Officer
Roland Sackers	44	Managing Director, Chief Financial Officer
Dr. Joachim Schorr ⁽¹⁾	52	Managing Director, Senior Vice President, Research and Development
Bernd Uder ⁽²⁾	55	Managing Director, Senior Vice President, Global Sales and Service Solutions

(1) Dr. Joachim Schorr was a member of our Managing Board until April 30, 2012.

(2) Bernd Uder was a member of our Managing Board until December 31, 2012.

The following is a brief summary of the background of each of the Managing Directors. References to “QIAGEN” and the “Company” in relation to periods prior to April 29, 1996 mean QIAGEN GmbH and its consolidated subsidiaries:

Peer M. Schatz, 47, joined the Company in 1993 and has been Chief Executive Officer since January 1, 2004. Between 1993 and 2003 he was Chief Financial Officer and became a member of the Managing Board in 1998. Mr. Schatz was previously a partner in a private management buyout group in Switzerland and worked in finance and systems positions in Sandoz, Ltd. and Computerland AG, as well as in finance, operations, management and sales positions in various start-up companies in the computer and software trading industry in Europe and the United States. Mr. Schatz graduated from the University of St. Gallen, Switzerland, with a Master's degree in Finance in 1989 and obtained an M.B.A. in Finance from the University of Chicago Graduate School of Business in 1991. Until 2008, Mr. Schatz was a member of the Supervisory Board of Evotec AG. Until 2011, he served as a member of the Managing Board of PMS Asset Management GmbH. Mr. Schatz also previously served as a member of the German Corporate Governance Commission from 2002 to January 2012. He is also chairman of the board of directors of Ipsogen S.A., which is a majority-owned subsidiary of QIAGEN that was acquired in 2011.

Roland Sackers, 44, joined the Company in 1999 as Vice President Finance and has been Chief Financial Officer since 2004. In 2006, Mr. Sackers became a member of the Managing Board. Between 1995 and 1999, he served as an auditor with Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft. Mr. Sackers earned his Diplom-Kaufmann from the Westfälische Wilhelms-Universität Münster, Germany after studying business administration. Until 2006, he was a member of the Supervisory Board and Audit Committee of IBS AG. Mr. Sackers was also a member of the board of directors of Operon Biotechnologies, Inc., until December 2007. Mr. Sackers is a board member of the industry association BIO Deutschland. He is also a non-executive director and chair of the audit committee of Immunodiagnostic Systems Holding (IDS), a leading producer of immunological tests for research and diagnostic applications publicly listed in the United Kingdom, as well as member of the board of directors and head of the audit committee of Ipsogen S.A., which is a majority-owned subsidiary of QIAGEN that was acquired in 2011.

Dr. Joachim Schorr, 52, joined the Company in 1992 and was Senior Vice President Research & Development since January 1, 2004. He became a member of the Managing Board in 2004. Initially, Dr. Schorr served the Company as Project Manager and later had responsibilities as Business Unit Manager. In 1999, Dr. Schorr became Vice President Research & Development with the responsibility for the world-wide QIAGEN R&D activities. Before joining QIAGEN, Dr. Schorr worked for the pharmaceutical company Hoechst AG on the development of oral malaria vaccines and was awarded with the IHK research award in 1991. Dr. Schorr holds a Ph.D. in Molecular Biology and Virology from the University of Cologne. Dr. Schorr is a co-founder of Coley Pharmaceuticals, EnPharma Pharmaceuticals and QBM Cell Sciences and is currently a member of the Supervisory Board of QBM Cell Sciences. Dr. Schorr retired from QIAGEN on April 30, 2012.

Bernd Uder, 55, joined the Company in 2001 as Vice President Sales & Marketing and became a member of the Managing Board and Senior Vice President Sales & Marketing in 2004. In 2005, Mr. Uder became Senior Vice President Global Sales and Service Solutions. Before joining the Company, Mr. Uder gained wide experience in building up and coordinating world-wide distribution networks as Vice President European Biolab Sales & Marketing with Pharmacia and Vice President global e-business with Amersham Pharmacia Biotech. Mr. Uder retired from QIAGEN on December 31, 2012.

Conflicts of Interest

Resolutions to enter into transactions under which members of the Managing Board could have a conflict of interest with QIAGEN, and which are of material significance to QIAGEN and/or the relevant member of the Managing Board, require the approval of the Supervisory Board. QIAGEN has not entered into any such transactions in 2012.

Remuneration

The remuneration granted to the members of the Managing Board in 2012 consisted of a fixed salary and other variable components, with the significant majority of remuneration awarded in the form of QIAGEN equity.

Variable compensation included annual payments linked to business performance (bonuses), as well as long-term equity incentives that were awarded based on individual performance. Stock options granted to the Managing Board members must have an exercise price that is higher than the market price at the time of grant. Restricted Share Units granted to the Managing Board members, vest over a 10-year period. Some of these grants contain vesting hurdles related to the achievement of specific operational and financial goals that are not disclosed due to confidential reasons. The long-term vesting periods are designed to strengthen the Managing Board members' commitment to QIAGEN and achieving its strategic initiatives, which in turn would benefit shareholders and other stakeholders.

The table below state the amounts earned on an accrual basis by our Managing Board members in 2012.

(in US\$ thousands, except for number of option and award grants)	Peer M. Schatz	Roland Sackers	Dr. Joachim Schorr ⁽¹⁾	Bernd Uder ⁽²⁾
Fixed Salary	1,226	540	113	344
Other ⁽³⁾	5	34	635	20
Total fixed income 2012⁽⁴⁾	1,231	574	748	364
Short-term variable cash bonus	168	60	—	85
Total short-term income 2012	1,399	634	748	449
Defined contribution on benefit plan	84	86	10	52
<i>Number of stock options granted 2012</i>	<i>134,109</i>	<i>44,945</i>	—	<i>19,549</i>
Related recognized compensation expense	339	113	—	49
<i>Number of restricted stock units granted 2012</i>	<i>465,181</i>	<i>155,901</i>	—	<i>45,207</i>
Related recognized compensation expense	1,449	485	—	106
<i>Number of performance stock units granted 2012</i>	<i>50,540</i>	<i>17,213</i>	—	<i>66,384</i>
Related recognized compensation expense	406	138	—	295

(1) Dr. Joachim Schorr was a member of our Managing Board until April 30, 2012.

(2) Bernd Uder was a member of our Managing Board until December 31, 2012.

(3) Amounts include, among others, separation payments, inventor bonus and relocation costs. We also occasionally reimburse our Managing Directors' personal expenses related to attending out-of-town meetings but not directly related to their attendance. The value of such reimbursed personal expenses is reported above as "other." Amounts do not include the reimbursement of certain expenses relating to travel incurred at the request of QIAGEN, other reimbursements or payments that in total did not exceed \$10,000 or tax amounts paid by the Company to tax authorities in order to avoid double-taxation under multi-tax jurisdiction employment agreements.

(4) A one-time crisis levy of 16% as imposed by the Dutch government amounted to €35,000 in total. The crisis tax levy is paid by the employer and is assessed on income of employees exceeding a €150,000 threshold in 2012. These expenses are not included in the remuneration costs of the employee.

The total recognized compensation expense in accordance with IFRS 2 in the year 2012 (2011) for stock options and restricted stock units including recognized expenses for equity awards granted in previous years as well as for any non-periodical share-based payments in kind of a bonus amounted to \$7.8 million (\$7.1 million) for Mr. Schatz, \$2.4 million (\$2.1 million) for Mr. Sackers, \$0.7 million (\$1.0 million) for Mr. Schorr and \$1.1 million (\$0.9 million) for Mr. Uder.

Based on such valuations the total compensation including recognized compensation expenses for members of the Managing Board was \$15.6 million (\$15.1 million), and amounts \$9.3 million (\$9.0 million) for Mr. Schatz, \$3.2 million (\$3.0 million) for Mr. Sackers, \$1.5 million (\$1.5 million) for Mr. Schorr and \$1.6 million (\$1.5 million) for Mr. Uder. Total non-periodical remuneration according Dutch Civil Code included in total compensation was \$3.7 million (\$4.1 million) and amounts \$2.4 million (\$2.6 million) for Mr. Schatz, \$0.8 million (\$0.9 million) for Mr. Sackers, \$0 million (\$0.3 million) for Mr. Schorr and \$0.5 million (\$0.3 million) for Mr. Uder.

Further details on the composition of remuneration for the Managing Board, and the implementation of the Remuneration Policy during 2012, are disclosed in the Remuneration Report of the Compensation Committee as published on our website at www.qiagen.com.

Supervisory Board

General

The Supervisory Board supervises the policies of the Managing Board, the general course of QIAGEN's affairs and strategy and

the business enterprises we operate. The Supervisory Board assists the Managing Board by providing advice relating to the business activities of QIAGEN. In 2012, the Supervisory Board had seven regular meetings that were held with the attendance of the Managing Board, while certain agenda items were discussed exclusively between the Supervisory Board members. In discharging its duties, the Supervisory Board takes into account the interests of QIAGEN, its enterprise and all parties involved in QIAGEN, including shareholders as well as other stakeholders. The Supervisory Board is responsible for the quality of its own performance. In this respect, the Supervisory Board conducts a self-evaluation on an annual basis.

Composition and Appointment

The Supervisory Board consists of at least three members, or a larger number as determined by the Joint Meeting. Members of the Supervisory Board are appointed by the General Meeting upon the Joint Meeting having made a binding nomination for each vacancy. However, the General Meeting may at all times overrule the binding nature of such a nomination by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half the issued share capital.

The Supervisory Board shall be composed in a way that enables it to carry out its duties properly and enables its members to act critically and independently of one another and of the Managing Board and any particular interests. To that effect, the Supervisory Board has adopted a profile of its size and composition that takes into account the nature of our business, our activities and the desired expertise and background of the members of the Supervisory Board. The current profile of the Supervisory Board can be found on our website. The Supervisory Board has appointed a chairman from its members who has the duties assigned to him by the Articles of Association and the Code.

Members of the Supervisory Board are appointed for one-year terms for the period beginning on the day after the Annual General Meeting up to and including the day of the Annual General Meeting held in the following year. Members of the Supervisory Board may be suspended and dismissed by the General Meeting by a resolution adopted by a two-thirds majority of the votes cast, if such majority represents more than half of the issued share capital, unless the proposal was made by the Joint Meeting, in which case a simple majority of votes cast is sufficient.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Prof. Dr. Detlev H. Riesner	71	Chairman of the Supervisory Board, Supervisory Director and Chairman of the Selection and Appointment Committee
Dr. Werner Brandt	59	Supervisory Director and Chairman of the Audit Committee
Dr. Metin Colpan	57	Supervisory Director
Erik Hornnaess	75	Deputy Chairman of the Supervisory Board, Supervisory Director, Chairman of the Compensation Committee, Member of the Audit Committee and Member of the Selection and Appointment Committee
Prof. Dr. Manfred Karobath	71	Supervisory Director and Member of the Compensation Committee
Heino von Prondzynski	63	Supervisory Director
Elizabeth E. Tallett	63	Supervisory Director and Member of the Audit Committee and Member of the Compensation Committee

The following is a brief summary of the background of each of the Supervisory Directors. References to “QIAGEN” and the “Company” in relation to periods prior to April 29, 1996 mean QIAGEN GmbH and its consolidated subsidiaries:

Supervisory Directors

Professor Dr. Detlev H. Riesner, 71, is a co-founder of the Company. He has been a member of the Supervisory Board since 1996 and was appointed Chairman of the Supervisory Board in 1999, and in 2005, he was also appointed Chairman of the Selection and Appointment Committee. Professor Riesner has held the Chair of Biophysics at the Heinrich-Heine-University in Düsseldorf since 1980 and retired in 2006. He has held the position of Dean of the Science Faculty (1991-92), Vice President of the University (Research) (1996-99) and Director of Technology (1999-2006). In 2007, he became a member of the University's board of trustees. Prior to that, he was Professor of Biophysical Chemistry at the Darmstadt Institute of Technology and, from 1975 to 1977, Lecturer of Biophysical Chemistry at Hannover Medical School. He has held guest professorships at the Institute of Microbiology, Academia Sinica, Beijing, and the Department of Neurology at the University of California, San Francisco. He received his M.S. in Physics from Hannover Institute of Technology and his Ph.D. from the University of Braunschweig, with post-graduate work at Princeton University. Professor Riesner is either a member of the Supervisory Board or a director of

AC Immune S.A., Lausanne, Evocatal GmbH, Düsseldorf, DRK Blutspendedienst West gGmbH, Hagen and DIWA GmbH, Düsseldorf. His memberships in the advisory boards of NewLab Bioquality AG and Direvo AG ended in 2006 and SCT GmbH ended in 2011, when the companies were sold. Professor Riesner is also a member of the scientific advisory board of Alberta Prion Research Institute, Canada.

Dr. Werner Brandt, 59, joined the Company's Supervisory Board in 2007. In the same year, he was appointed Chairman of the Audit Committee. Dr. Brandt has been a member of the Executive Board and the Chief Financial Officer of SAP AG since 2001. From 1999 to 2001, he was a member of the Executive Board and Chief Financial Officer of the German-American healthcare company, Fresenius Medical Care AG, where he also served as Labor Relations Director. From 1992 to 1999, Dr. Brandt was a member of the Managing Board of Baxter Deutschland GmbH and Vice President for European Operations. In this capacity, he was responsible for Baxter's financial operations in Europe. Dr. Brandt began his career in 1981 at the former Price Waterhouse GmbH (now PricewaterhouseCoopers) in Frankfurt. Dr. Brandt completed his Doctorate in business administration from the Technical University of Darmstadt, Germany in 1991, after studying business administration at the University of Nuremberg-Erlangen, Germany from 1976 to 1981. Dr. Brandt is currently a member of the Supervisory Board of Deutsche Lufthansa AG and RWE AG where he also holds the position of Chairman of the Audit Committee.

Dr. Metin Colpan, 57, is a co-founder of the Company and was Chief Executive Officer and a Managing Director from 1985 through 2003. Dr. Colpan has been a member of the Supervisory Board since 2004. Dr. Colpan obtained his Ph.D. and M.S. in Organic Chemistry and Chemical Engineering from the Darmstadt Institute of Technology in 1983. Prior to founding QIAGEN, Dr. Colpan was an Assistant Investigator at the Institute for Biophysics at the University of Düsseldorf. Dr. Colpan has had wide experience in separation techniques, and in the separation and purification of nucleic acids in particular, and has filed many patents in the field. Dr. Colpan currently serves as a Supervisory Board member of Morphosys AG, Munich, Germany and Qalovis Farmer Automatic Energy GmbH, Laer, Germany. Dr. Colpan previously served as Supervisory Board member of Ingenium Pharmaceuticals AG, GenPat77 Pharmacogenetics AG and GPC Biotech AG, each in Munich, Germany.

Erik Hornnaess, 75, has been a member of the Supervisory Board since 1998. He joined the Audit Committee in 2002, the Compensation Committee in 2005 and the Selection and Appointment Committee in 2007. He was appointed Deputy Chairman of the Supervisory Board in 2007. Mr. Hornnaess worked for Astra Pharmaceuticals, Sweden from 1965 until 1979 in various management positions in Sweden, Australia, and Canada and, for the last three years of this period, as the General Manager for the Benelux region (Belgium, The Netherlands and Luxembourg). In 1979, he joined Abbott Laboratories European Headquarters in Paris, France, and from 1982, he was the Area Vice-President of Abbott Diagnostic Division in Europe, Middle-East and Africa, with headquarters in Wiesbaden, Germany. Mr. Hornnaess retired from Abbott Laboratories on March 1, 1997. Additionally, Mr. Hornnaess served as the Vice-President of European Diagnostic Manufacturers Association (EDMA), Brussels in the period 1995 through 1997. Mr. Hornnaess graduated from Aarhus Handelshøjskole, Denmark with an M.B.A. and obtained a P.M.D. from the Harvard Business School.

Professor Dr. Manfred Karobath, 71, has been a member of the Supervisory Board since 2000 and joined the Compensation Committee in 2005. Prof. Dr. Karobath studied medicine, and from 1967 to 1980, he worked first in the Dept. of Biochemistry of the University of Vienna and, after a stage as postdoctoral fellow, he joined the Dept. of Psychiatry where he became Professor of Biological Psychiatry. In 1980, he joined Sandoz Pharma in Basel, first, in drug discovery, and later, he became Senior Vice President and head of R&D. In 1992, Prof. Dr. Karobath joined Rhone Poulenc Rorer ("RPR") as President of R&D and Executive Vice President, and later, he became a member of the boards of directors of RPR, Pasteur Mérieux Connought, Centeon and Rhone Poulenc Pharma. He has received several scientific awards and has published 92 scientific papers.

Heino von Prondzynski, 63, joined the Company's Supervisory Board as well as the Audit Committee in 2007. Mr. von Prondzynski retired in 2005 from Roche where he served as Chief Executive Officer of Roche Diagnostics and a member of the Executive Committee of the Roche Group. Prior to joining Roche in 2000, Mr. von Prondzynski worked at Chiron, first as General Manager and Chief Executive Officer in Germany and Italy, later as President of the Vaccines Division in Emeryville, USA. Mr. von Prondzynski started his career with Bayer in Germany as a sales representative and later worked in Austria and Brazil as General Manager. He studied mathematics, geography and history at Westfälische Wilhelms University of Münster in Germany. Mr. von Prondzynski is a director of Koninklijke Philips Electronics NV, Hospira, Inc., HTL Strefa and Epigenomics AG. Mr. von Prondzynski was previously Chairman of Nobel Biocare Holding AG.

Elizabeth E. Tallett, 63, joined the Company's Supervisory Board as well as the Audit Committee and Compensation Committee in 2011. Ms. Tallett has been a Principal of Hunter Partners, LLC, a management company for early to mid-stage pharmaceutical, biotechnology and medical device companies, since 2002. Her senior management experience includes President and CEO of Transcell Technologies Inc., President of Centocor Pharmaceuticals, member of the Parke-Davis Executive Committee, and Director of Worldwide Strategic Planning for Warner-Lambert Company. Ms. Tallett graduated from Nottingham University, England with dual Bachelor's degrees with honors in mathematics and economics. She is a member of

the board of directors of Principal Financial Group, Inc., Coventry Health Care, Inc. and Meredith Corp. Ms. Tallett is currently the Lead Director for both Principal and Coventry Health Care. She was also a director of Varian, Inc., Immunicon, Inc., Varian Semiconductor Equipment Associates, Inc. and IntegraMed America, Inc. at times during the past five years. Ms. Tallett was a founding board member of the Biotechnology Council of New Jersey and is a Trustee of Solebury School in Pennsylvania.

Conflicts of Interest

Resolutions to enter into transactions under which members of the Supervisory Board could have a conflict of interest with QIAGEN, and which are of material significance to QIAGEN and/or the relevant member of the Supervisory Board, require the approval of the Supervisory Board plenum. In 2012, neither QIAGEN nor its Supervisory Board members have entered into any such transactions.

Independence

Unlike the NASDAQ listing standards which require a majority of the Supervisory Board members to be independent, the Dutch Corporate Governance Code recommends that all Supervisory Board members, with the exception of not more than one person, shall be independent within the meaning of its “best practice” provision. In some cases the Dutch independence requirement is more stringent, such as by requiring a longer “look back” period (five years) for former executive directors. In other cases, the NASDAQ rules are more stringent, such as a broader definition of disqualifying affiliations. Currently, a majority of our Supervisory Board are “independent” under both the NASDAQ and Dutch definitions.

Committees of the Supervisory Board

The Supervisory Board has established an Audit Committee, a Compensation Committee and a Selection and Appointment Committee from among its members and can establish other committees as deemed beneficial. The Supervisory Board has approved charters under which each of the committees operates. These charters are published on our website (www.qiagen.com). The committees are comprised of the following members:

Name of Supervisory Director	Independent	Member of Audit Committee	Member of Compensation Committee	Member of Selection and Appointment Committee
Prof. Dr. Detlev Riesner	•			• (Chairman)
Dr. Werner Brandt	•	• (Chairman)		
Erik Hornnaess	•	•	• (Chairman)	•
Prof. Dr. Manfred Karobath	•		•	
Heino von Prondzynski	•			
Elizabeth E. Tallett	•	•	•	

We believe that all of our Supervisory Directors, except for Dr. Metin Colpan, meet the independence requirements. In 2012, Dr. Colpan was not considered to be independent due to his consulting arrangement with the Company under which Dr. Colpan provided scientific advisory services to the Company in 2011, 2010 and 2009. In January 2012, the agreement under which Dr. Colpan provided scientific consulting services terminated.

Audit Committee

The Audit Committee's primary duties and responsibilities include, among other things, to serve as an independent and objective party to monitor QIAGEN's accounting and financial reporting process and internal risk management, control and compliance systems. The Audit Committee also is directly responsible for proposing the external auditor to the Supervisory Board, which then proposes the appointment of the external auditor to the General Meeting. Further, the Audit Committee is responsible for the compensation and oversight of QIAGEN's external auditor and for providing an open avenue of communication among the external auditor as well as the Management Board and the Supervisory Board. Our Internal Audit department operates under the direct responsibility of the Audit Committee. The Audit Committee currently consists of three members: Dr. Brandt (Chairman), Ms. Tallett, and Mr. Hornnaess. The Audit Committee members are appointed by the Supervisory Board and serve for a term of one

year. The Supervisory Board has designated Dr. Brandt as a “financial expert” as defined in provisions III.3.2 and III.5.7 of the Code.

The Audit Committee met eight times in 2012 and did meet with the external auditor excluding members of the Managing Board in November 2012. Among other things, the Audit Committee discussed the selection of the external auditor to audit the consolidated financial statements and accounting and records of QIAGEN and its subsidiaries, along with the pre-approval of fees for these services. Further, it reviewed QIAGEN's compliance with various laws and policies, including the Code of Conduct; reviewed the risk management system; discussed the performance of the external auditor with management; and discussed on a quarterly basis the scope and results of the reviews and audits with the external auditor. The Audit Committee also discussed financial accounting and reporting principles and policies as well as the adequacy of internal accounting, financial and operating controls and procedures with the external auditor and management. These discussions included a review of developments in accounting standards and their impact on QIAGEN's financial statements. The Audit Committee considered and approved recommendations regarding changes to QIAGEN's accounting policies and processes. In addition, the Audit Committee reviewed with management and the external auditor all quarterly reports prior to their public release as well as quarterly and annual reports prepared under U.S. GAAP (reported on Forms 6-K and 20-F) for filing with the U.S. Securities and Exchange Commission and the annual report prepared under IFRS. The Audit Committee performs a self-evaluation of its activities on an annual basis.

Compensation Committee

The Compensation Committee's primary duties and responsibilities include, among other things, the preparation of a proposal for the Supervisory Board concerning the Remuneration Policy for the Managing Board to be adopted by the General Meeting, the preparation of a proposal concerning the individual compensation of Managing Board members to be adopted by the Supervisory Board and the preparation of the Remuneration Report on compensation policies for the Managing Board to be adopted by the Supervisory Board. The Remuneration Report reviews the implementation of the Remuneration Policy in the most recent year and provides an outline of the Remuneration Policy for the future.

The Compensation Committee currently consists of three members: Mr. Hornnaess (Chairman), Ms. Tallett and Prof. Dr. Karobath. Members are appointed by the Supervisory Board and serve for a term of one year. The Compensation Committee met 12 times in 2012. It reviewed, approved and made recommendations on QIAGEN's compensation and benefits policies, practices and procedures to ensure that legal and fiduciary responsibilities of the Supervisory Board and the Managing Board are carried out. Further, the Compensation Committee approved equity-based remuneration systems and their application, including stock rights or stock option grants on a monthly basis.

Selection and Appointment Committee

The Selection and Appointment (Nomination) Committee is primarily responsible for the preparation of selection criteria and appointment procedures for members of the Supervisory Board and Managing Board as well as the periodic evaluation of the scope and composition of the Managing Board and the Supervisory Board, including the profile of the Supervisory Board.

Additionally, the Selection and Appointment Committee periodically evaluates the functioning of individual members of the Managing Board and Supervisory Board, reporting these results to our Supervisory Board. It also proposes the (re-)appointments of members of our Managing Board and Supervisory Board and supervises the policy of our Managing Board in relation to selection and appointment criteria for senior management. The Selection and Appointment Committee prepares and submits to our Supervisory Board an annual report of its deliberations and findings.

Current members of the Selection and Appointment Committee are Prof. Dr. Riesner (Chairman) and Mr. Hornnaess. Members are appointed by the Supervisory Board and serve for a one-year term. The Selection and Appointment Committee formally convened once in 2012.

Supervisory Board compensation

The Supervisory Board compensation for 2012 consists of fixed retainer compensation, additional retainer amounts for Chairman and Vice Chairman, and committee membership fees. Annual remuneration of the Supervisory Board members is as follows:

Fee paid to each member of the Supervisory Board	€30,000
Additional compensation payable to members holding the following positions:	
Chairman of the Supervisory Board	€20,000
Vice Chairman of the Supervisory Board	€5,000
Chairman of the Audit Committee	€15,000
Chairman of the Compensation Committee	€10,000
Fee payable to each member of the Audit Committee	€7,500
Fee payable to each member of the Compensation Committee	€5,000

Members of the Supervisory Board also receive €1,000 for attending the Annual General Meeting and €1,000 for attending each meeting of the Supervisory Board.

Members of the Supervisory Board receive €1,000 for attending each meeting of any subcommittees (other than the Audit Committee, Compensation Committee and Selection and Appointment Committee).

Supervisory Board members also receive variable compensation, which is determined annually by the Compensation Committee pursuant to a formula based on growth of Adjusted Earnings per Share provided that such remuneration will not exceed €5,000 per year. We did not pay any agency or advisory service fees to members of the Supervisory Board.

Supervisory Board members also receive a variable component, in the form of share-based compensation. Stock options granted to the Supervisory Board members must have an exercise price that is higher than the market price at the time of grant.

Additionally, Supervisory Board members are reimbursed for travel costs and for any value-added tax to be paid on their remuneration.

The following table summarizes the total compensation paid to the members of the Supervisory Board in 2012:

(in US\$ thousands, except for number of share grants and options)	Prof. Dr. Detlev Riesner	Dr. Werner Brandt	Dr. Metin Colpan	Erik Hornnaess	Prof. Dr. Manfred Karobath	Heino von Prondzynski	Elizabeth E. Tallett
Short-term compensation 2012							
Fixed remuneration	38.5	38.5	38.5	38.5	38.5	38.5	38.5
Chairman / vice chairman committee	25.7	19.3	—	19.3	—	—	—
Meeting attendance	6.5	6.5	6.5	6.5	6.5	5.0	5.0
Committee membership	—	—	—	9.5	6.5	—	16.0
Subcommittee meeting attendance	3.8	—	3.8	—	2.5	2.5	—
Variable cash bonus	6.5	6.5	6.5	6.5	6.5	6.5	6.5
	81.0	70.8	55.3	80.3	60.5	52.5	66.0
Long-term compensation 2012							
<i>Number of stock options granted in 2012</i>	<i>1,563</i>	<i>1,563</i>	<i>1,563</i>	<i>1,563</i>	<i>1,563</i>	<i>1,563</i>	<i>1,563</i>
Related recognized compensation expense	4	4	4	4	4	4	4
<i>Number of restricted stock units granted in 2012</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
Related recognized compensation expense	25	25	25	25	25	25	25

The total recognized compensation expense in accordance with IFRS 2 in the year 2012 (2011) for long-term compensation of stock options and restricted stock units including recognized expenses for equity awards granted in previous years as well as for any non-periodical share-based payments in kind of a bonus amounted to \$102.9 thousands (\$96.6 thousands) for Mr. Riesner, \$98.6 thousands (US\$86.6 thousands) for Mr. Brandt, \$102.9 thousands (\$96.6 thousands) for Mr. Colpan, \$102.9 thousands (\$96.6 thousands) for Mr. Hornnaess, \$102.9 thousands (\$96.6 thousands) for Mr. Karobath, \$98.6 thousands (\$86.6 thousands)

for Mr. von Prondzynski, \$28.8 thousands (\$0) for Ms. Tallett.

The total recognized compensation expenses for members of the Supervisory Board in 2012 (2011) for short-term and long-term compensation totaled \$1,103.7 thousands (\$1,063.5 thousands) and includes amounts of \$183.9 thousands (\$186.2 thousands) for Mr. Riesner, \$169.3 thousands (\$163.6 thousands) for Mr. Brandt, \$158.1 thousands (\$156.8 thousands) for Mr. Colpan, \$183.1 thousands (\$184.1 thousands) for Mr. Hornnaess, \$163.4 thousands (\$163.8 thousands) for Mr. Karobath, \$151.1 thousands (\$151.5 thousands) for Mr. von Prondzynski, \$94.8 thousands (\$33.9 thousands) for Ms. Tallett and for Ms. Kallmeyer \$0 (\$24.0 thousands).

Total non-periodical remuneration according Dutch Civil Code included in total compensation in 2012 (2011), which includes the expense related to the short-term variable cash bonus and the expense related to the long-term compensation of equity awards granted in 2012, totaled \$250.6 thousands (\$198.4 thousands) and includes amounts of \$35.8 thousands (\$32.1 thousands) for Mr. Riesner, \$35.8 thousands (\$32.1 thousands) for Mr. Brandt, \$35.8 thousands (\$32.1 thousands) for Mr. Colpan, \$35.8 thousands (\$32.1 thousands) for Mr. Hornnaess, \$35.8 thousands (\$32.1 thousands) for Mr. Karobath, \$35.8 thousands (\$32.1 thousands) for Mr. von Prondzynski, US\$35.8 thousands (\$3.5 thousands) for Ms. Tallett.

In 2004, QIAGEN entered into a consulting agreement with Dr. Metin Colpan, our former Chief Executive Officer and current Supervisory Board member, pursuant to which Dr. Colpan was paid a fee of €2.750 per day for scientific consulting services, subject to adjustment. During 2011, QIAGEN paid approximately \$0.1 million to Dr. Colpan for scientific consulting services including travel reimbursements under this agreement. No agency or advisory service fees were paid to other members of the Supervisory Board. The agreement with Dr. Colpan terminated in January 2012.

Share Ownership

The following table sets forth certain information as of January 27, 2013 concerning the ownership of Common Shares by our directors and officers. In preparing the following table, we have relied on information furnished by such persons.

<u>Name and Country of Residence</u>	<u>Shares Beneficially Owned⁽¹⁾ Number</u>	<u>Percent Ownership⁽²⁾</u>
Peer M. Schatz, Germany	1,771,128 (3)	0.75%
Roland Sackers, Germany	— (4)	*
Bernd Uder, Germany	— (5)	*
Prof. Dr. Detlev H. Riesner, Germany	1,654,993 (6)	0.70%
Dr. Werner Brandt, Germany	8,377 (7)	*
Dr. Metin Colpan, Germany	4,540,961 (8)	1.92%
Erik Hornnaess, Spain	14,180 (9)	*
Professor Dr. Manfred Karobath, Austria	9,015 (10)	*
Heino von Prondzynski, Switzerland	2,377 (11)	*
Elizabeth Tallett, United States	— (12)	*

* Indicates that the person beneficially owns less than 0.5% of the Common Shares issued and outstanding as of January 27, 2013.

- (1) The number of Common Shares issued and outstanding as of January 27, 2013 was 236,563,920. The persons and entities named in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them and have the same voting rights as shareholders with respect to Common Shares.
- (2) Does not include Common Shares subject to options or awards held by such persons at January 27, 2013. See footnotes below for information regarding options now exercisable or that could become exercisable within 60 days of the date of this table.
- (3) Does not include 2,097,769 shares issuable upon the exercise of options now exercisable or that could become exercisable within 60 days from the date of this table having exercise prices ranging from \$6.020 to \$22.430 per share. Options expire in increments during the period between 4/2013 and 2/2022. Does not include 265,127 shares issuable upon the release of unvested stock awards that could become releasable within 60 days from the date of this table.
- (4) Does not include 140,137 shares issuable upon the exercise of options now exercisable or that could become exercisable within 60 days from the date of this table having exercise prices ranging from \$15.590 to \$22.430 per share. Options expire in increments during the period between 2/2018 and 2/2022. Does not include 84,664 shares issuable upon the release of

unvested stock awards that could become releasable within 60 days from the date of this table.

- (5) Does not include 77,267 shares issuable upon the exercise of options now exercisable or that could become exercisable within 60 days from the date of this table having exercise prices ranging from \$15.590 to \$22.430 per share. Options expire in increments during the period between 2/2017 and 2/2022. Does not include 40,801 shares issuable upon the release of unvested stock awards that could become releasable within 60 days from the date of this table.
- (6) Does not include 48,341 shares issuable upon the exercise of options now exercisable or that could become exercisable within 60 days from the date of this table having exercise prices ranging from \$11.985 to \$22.430 per share. Options expire in increments during the period between 4/2014 and 2/2022. Includes 1,652,068 shares held by Riesner Verwaltungs GmbH, of which Professor Riesner is the sole stockholder. Does not include 1,770 shares issuable upon the release of unvested stock awards that could become releasable within 60 days from the date of this table.
- (7) Does not include 6,399 shares issuable upon the exercise of options now exercisable or that could become exercisable within 60 days from the date of this table having exercise prices ranging from \$15.590 to \$22.430 per share. Options expire in increments during the period between 4/2018 and 2/2022. Does not include 1,770 shares issuable upon the release of unvested stock awards that could become releasable within 60 days from the date of this table.
- (8) Does not include 348,341 shares issuable upon the exercise of options now exercisable or that could become exercisable within 60 days from the date of this table having exercise prices ranging from \$6.018 to \$22.430 per share. Options expire in increments during the period between 4/2013 and 2/2022. Includes 3,738,703 shares held by CC Verwaltungs GmbH, of which Dr. Colpan is the sole stockholder and 800,000 shares held by Colpan GbR. Does not include 1,770 shares issuable upon the release of unvested stock awards that could become releasable within 60 days from the date of this table.
- (9) Does not include 48,341 shares issuable upon the exercise of options now exercisable or that could become exercisable within 60 days from the date of this table having exercise prices ranging from \$11.985 to \$22.430 per share. Options expire in increments during the period between 4/2014 and 2/2022. Does not include 1,770 shares issuable upon the release of unvested stock awards that could become releasable within 60 days from the date of this table.
- (10) Does not include 48,341 shares issuable upon the exercise of options now exercisable or that could become exercisable within 60 days from the date of this table having exercise prices ranging from \$11.985 to \$22.430 per share. Options expire in increments during the period between 4/2014 and 2/2022. Does not include 1,770 shares issuable upon the release of unvested stock awards that could become releasable within 60 days from the date of this table.
- (11) Does not include 6,399 shares issuable upon the exercise of options now exercisable or that could become exercisable within 60 days from the date of this table having exercise prices ranging from \$15.590 to \$22.430 per share. Options expire in increments during the period between 4/2018 and 2/2022. Does not include 1,770 shares issuable upon the release of unvested stock awards that could become releasable within 60 days from the date of this table.
- (12) Does not include 521 shares issuable upon the exercise of options now exercisable or that could become exercisable within 60 days from the date of this table having exercise prices of \$15.59 per share. Options expire on 2/2022.

The following table sets forth the vested and unvested options and stock awards of our officers and directors as of January 27, 2013:

Name	Total Vested Options	Total Unvested Options	Expiration Dates	Exercise Prices	Total Unvested Restricted and Performance Stock Units
Peer M. Schatz	1,975,214	249,512	4/1/2013 to 2/28/2022	\$6.02 to \$22.43	1,666,950
Roland Sackers	99,363	83,343	2/28/2018 to 2/28/2022	\$15.59 to \$22.43	547,408
Bernd Uder	62,202	33,649	2/28/2017 to 2/28/2022	\$15.59 to \$22.43	257,336
Prof. Dr. Detlev H. Riesner	46,818	3,017	4/1/2014 to 2/28/2022	\$11.985 to \$22.43	24,945
Dr. Werner Brandt	4,876	3,017	4/29/2018 to 2/28/2022	\$15.59 to \$22.43	24,407
Dr. Metin Colpan	346,818	3,017	4/1/2013 to 2/28/2022	\$6.02 to \$22.43	24,945
Erik Hornnaess	46,818	3,017	4/1/2014 to 2/28/2022	\$11.985 to \$22.43	24,945
Prof. Dr. Manfred Karobath	46,818	3,017	4/1/2014 to 2/28/2022	\$11.985 to \$22.43	24,945
Heino von Prondzynski	4,876	3,017	4/29/2018 to 2/28/2022	\$15.59 to \$22.43	24,407
Elizabeth E. Tallett	—	1,563	2/28/2022	\$15.59	10,000

Additional Information

Shareholders

Our shareholders exercise their voting rights through Annual and Extraordinary General Meetings. Resolutions of the General Meeting are adopted by an absolute majority of votes cast, unless a different majority of votes or quorum is required by Dutch law or the Articles of Association. Each common share confers the right to cast one vote.

Furthermore, the Managing Board, or where appropriate, the Supervisory Board, shall provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence QIAGEN's share price.

QIAGEN is required to convene an Annual General Meeting in the Netherlands no later than six months following the end of each year. The agenda for the Annual General Meeting must contain certain matters as specified in QIAGEN's Articles of Association and under Dutch law, including, among other things, the adoption of QIAGEN's annual financial statements.

Additional Extraordinary General Meetings may be convened at any time by the Managing Board, the Supervisory Board or by one or more shareholders jointly representing at least 40% of QIAGEN's issued share capital. Furthermore, one or more shareholders, who jointly represent at least 10% of QIAGEN's issued share capital may, on their application, be authorized by the district court judge having applications for interim relief, to convene a General Meeting. Shareholders are entitled to propose items for the agenda of the General Meeting provided that they hold at least 1% of the issued share capital or the shares they hold represent a market value of at least €50 million. Proposals for agenda items for the General Meeting must be submitted at least 60 days prior to the meeting date. The notice convening a General Meeting, accompanied by the agenda, shall be sent no later than 15 days prior to the meeting. QIAGEN informs the General Meeting by means of explanatory notes to the agenda, providing all facts and circumstances relevant to the proposed resolutions.

The Audit of Financial Reporting

The external auditor is appointed annually by the General Meeting. The Audit Committee recommends to the Supervisory Board the external auditor to be proposed for (re)appointment by the General Meeting. In addition, the Audit Committee evaluates and, where appropriate, recommends the replacement of the external auditor. The external auditor is invited to attend the meeting of the Supervisory Board at which the financial statements shall be approved and is furthermore invited to attend the General Meeting at which the financial statements are adopted and may be questioned by the General Meeting on its statement on the fairness of

our annual accounts. At the Annual General Meeting in 2012, Ernst & Young Accountants was appointed as external auditor for the Company for 2012.

Share-Based Compensation

The QIAGEN N.V. Amended and Restated 2005 Stock Plan (the Plan) was adopted in 2005. The Plan allows for the granting of stock rights and incentive stock options, as well as non-qualified options, stock grants and stock-based awards, generally with terms of up to 10 years, subject to earlier termination in certain situations. Generally, options vest over a three-year period. The vesting and exercisability of certain stock rights will be accelerated in the event of a Change of Control, as defined in the Plan. To date, all option grants have been at the market value on the grant date or at a premium above the closing market price on the grant date. We issue new Common Shares to satisfy option exercises and had approximately 19.8 million Common Shares reserved and available for issuance under this plan at December 31, 2012.

In connection with the 2007 acquisition of Digene Corporation, we assumed three additional equity incentive plans. No new grants will be made under these plans. We had approximately 0.1 million common shares reserved and available for issuance under these plans at December 31, 2012.

Stock Options

During the years ended December 31, 2012 and 2011, we granted 592,829 and 601,897 stock options, respectively. The following are the weighted-average assumptions used in valuing the stock options granted to employees for the years ended December 31, 2012 and 2011:

	2012	2011
Stock price volatility	35%	34%
Risk-free interest rate	0.83%	1.88%
Expected life (in years)	5.94	4.97
Dividend rate	0%	0%
Forfeiture rate	5.9%	6.1%

A summary of the status of employee stock options as of December 31, 2012 and changes during the year then ended is presented below:

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value (in thousands)
All Employee Options				
Outstanding at January 1, 2012	6,527	\$ 13.61		
Granted	593	\$ 16.00		
Exercised	(1,444)	\$ 11.53		
Forfeited	(82)	\$ 18.90		
Expired	(261)	\$ 17.64		
Outstanding at December 31, 2012	<u>5,333</u>	<u>\$ 14.16</u>	<u>4.09</u>	<u>\$ 25,006</u>
Exercisable at December 31, 2012	<u>4,252</u>	<u>\$ 13.18</u>	<u>2.91</u>	<u>\$ 23,664</u>
Vested and expected to vest at December 31, 2012	<u>5,257</u>	<u>\$ 14.12</u>	<u>4.01</u>	<u>\$ 24,886</u>

Stock Units

Stock units represent rights to receive Common Shares at a future date and include restricted stock units which are subject to time-vesting only and performance stock units which include performance conditions in addition to time-vesting. There is no exercise price and the fair market value at the time of the grant is recognized over the requisite vesting period, generally 10 years.

A summary of stock units as of December 31, 2012 and changes during the year are presented below:

All Employee Stock Units	Stock Units (in thousands)	Weighted Average Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2012	5,651		
Granted	2,574		
Vested	(831)		
Forfeited	(473)		
Outstanding at December 31, 2012	6,921	2.85	\$ 125,602
Vested and expected to vest at December 31, 2012	5,732	2.74	\$ 104,029

Risk Management

Reference is made to the discussion in the section "Principle Risks and Uncertainties" above.

Whistleblower Policy and Code of Conduct

QIAGEN adopted a Whistleblower Policy concerning the reporting of alleged irregularities within QIAGEN of a general, operational or financial nature. Furthermore, a Code of Conduct was adopted that outlines business principles for our employees and rules of conduct. The Code of Conduct can be found on our website at www.qiagen.com.

Anti-Takeover Measures

In 2004, the Supervisory Board granted an option to the Dutch Foundation Stichting Preferente Aandelen QIAGEN that allows the Foundation to acquire preference shares from QIAGEN if (i) a person has (directly or indirectly) acquired or has expressed a desire to acquire more than 20% of our issued share capital, or (ii) a person holding at least a 10% interest in the share capital has been designated as a hostile person by our Supervisory Board. The option enables the Foundation to acquire preference shares equal to the number of our outstanding common shares at the time of the relevant exercise of the right, less one share. When exercising the option and exercising its voting rights on these shares, the Foundation must act in the interest of QIAGEN and the interests of our stakeholders. No preference shares are currently outstanding.

Comply or Explain

The corporate governance structure and compliance with the Code is the joint responsibility of the Managing Board and the Supervisory Board. They are accountable for this responsibility to the General Meeting. QIAGEN continues to seek ways to improve its corporate governance by measuring itself against international best practice. The Code was last amended on December 10, 2008, and can be found at www.commissiecorporategovernance.nl.

Non-application of a specific best practice provision is not in itself considered objectionable by the Code and may well be justified because of particular circumstances relevant to a company. In accordance with Dutch law, we disclose in our Annual Report the application of the Code's principles and best practice provisions.

To the extent that we do not apply certain principles and best practice provisions, or do not intend to apply these in the current or the subsequent year, we state the reasons.

QIAGEN takes a positive view of the Code and applies nearly all of the best practice provisions. However, we prefer not to apply some provisions due to the international character of our business as well as the fact - acknowledged by the Commission that drafted the Code - that existing contractual agreements between QIAGEN and individual members of the Managing Board cannot be set aside at will.

The following provides an overview of exceptions that we have identified:

1. *Best practice provision II.1.1 recommends that a management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.*

Members of the Managing Board are appointed annually for a one-year period beginning on the day following the General Meeting up to and including the day of the General Meeting held in the following year. The employment agreements with

the Managing Directors have an indefinite term, but can be terminated with a three-month notice period by the Managing Director and with a six-month notice period by QIAGEN. These agreements were entered into before the Code became applicable; the terms were not renegotiated since this was not considered to be in the interest of QIAGEN. The members of the Managing Board have additional employment agreements with other QIAGEN affiliates that have notice periods deviating from terms in the employment agreements with QIAGEN N.V. (Mr. Schatz and Mr. Sackers 36 months).

2. *Best practice provision II.2.4 recommends that the number of granted options shall be dependent on the achievement of challenging targets specified beforehand.*

From time to time, members of our Managing Board are granted options to acquire common shares at an exercise price higher than the market price on the grant date (as determined by reference to an organized trading market or association). Our view is that the “challenging target” has been set at the time of granting the options since the holder cannot realize any value from these options unless the price of our common shares has risen above the exercise price.

3. *Best practice provision II.2.5 recommends that shares granted to management board members without financial consideration shall be retained for a period of at least five years or until at least at the end of the employment, if this period is shorter. The number of shares to be granted shall be dependent on the achievement of clearly quantifiable and challenging targets specified beforehand.*

Members of the Managing Board are granted restricted stock units and performance stock units from time to time. Restricted stock units represent rights to receive common shares at a future date. The number of granted restricted stock units is dependent upon the achievement of pre-defined performance goals. Restricted stock units are structured so that 40% of a grant vests after three years, 50% after five years and the remaining 10% after ten years. Performance stock units have performance conditions in addition to time-vesting.

4. *Best practice provision II.2.8 recommends that the maximum remuneration in the event of dismissal of a management board member may not exceed one year's salary (the "fixed" remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, such board member shall be eligible for a severance pay not exceeding twice the annual salary.*

As explained in item 1 (best practice provision II.1.1), in addition to their employment agreements with QIAGEN N.V., the Managing Board members have entered into employment agreements with certain QIAGEN affiliates that have notice periods of either 24 months or 36 months. In case of termination of an agreement without serious cause as defined by the applicable law, the respective affiliate would remain obliged to compensate the Managing Board member for the remaining term of the employment agreement. QIAGEN believes that these contractual arrangements are well justified due to the long tenures of the Managing Board members.

5. *Best practice provision II.2.11 recommends that the supervisory board may recover from the management board members any variable remuneration awarded on the basis of incorrect financial or other data.*

The current employment agreements with the Managing Directors, which were entered into before the recent Code changes took effect, do not include so-called “clawback” provisions. In the event of unjustified variable remuneration awards that were based on incorrect financial or other data, the Supervisory Board would make use of its statutory powers.

6. *Best practice provision III.3.5 recommends that a person may be appointed to the supervisory board for a maximum of three 4-year terms.*

Two members - Prof. Riesner and Prof. Karobath - have tenures on the Supervisory Board that are longer than this provision. Prof. Riesner is one of the founders of QIAGEN, and he has been a member of the Supervisory Board of QIAGEN N.V. since its establishment in 1996, while Prof. Karobath has been a Supervisory Member since 2000. Prof. Riesner contributes his profound scientific expertise and excellent connections in the scientific community to the board profile, while Prof. Karobath contributes significant value through his scientific acumen and extensive experience in various management positions in the pharmaceuticals industry. Both board members have unique knowledge about QIAGEN that is considered to be highly valuable. As a result, QIAGEN strongly supports the reappointment of these members beyond the 12-year term provision as recommended by the Code. Mr. Hornnaess, who has served on the Supervisory Board since 1998, has announced his intention to not stand for re-election at the Annual General Meeting of Shareholders in June 2013.

7. *Best practice provision III.7.1 recommends that a supervisory board member may not be granted any shares and/or rights to shares by way of remuneration.*

QIAGEN has granted stock options to the members of the Supervisory Board as a remuneration component since its establishment. Since 2007, Supervisory Board members have also been granted restricted stock units. This practice is in compliance with international business practice in our industry, and we consider the granting of stock options or stock rights as an important incentive to attract individuals with the required skills and expertise to serve on our Supervisory Board.

8. *Best practice provision IV.1.1 recommends that a general meeting of shareholders is empowered to cancel binding nominations of candidates for the management board and supervisory board, and to dismiss members of either board by a simple majority of votes of those in attendance, although the company may require a quorum of at least one third of the voting rights outstanding for such vote to have force. If such quorum is not represented, but a majority of those in attendance votes in favor of the proposal, a second meeting may be convened and its vote will be binding, even without a one-third quorum.*

Our Articles of Association currently state that the General Meeting may at all times overrule a binding nomination by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half of the issued share capital. Although a deviation from provision IV.1.1 of the Code, the Supervisory Board and the Managing Board hold the view that these provisions will enhance the continuity of QIAGEN's management and policies.

Declaration of Compliance of QIAGEN N.V. regarding the German Corporate Governance Code

In QIAGEN's 2001 Annual Report, the Managing Board and the Supervisory Board of QIAGEN N.V. declared their intention to disclose compliance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Law (AktG) or state the deviations for a particular period. QIAGEN N.V. is a company organized under the laws of The Netherlands and subject to the laws, rules and regulations of this country. In addition, our shares are listed on the NASDAQ Stock Exchange. As a result, the compliance of QIAGEN with the German Corporate Governance Code is dependent on the code's compatibility with the laws, rules, regulations and customs that QIAGEN is subject to in The Netherlands and the U.S. QIAGEN declares compliance with the German Corporate Governance Code with the following exceptions:

1. Item 3.8 paragraph 2

If the company takes out a D&O (directors' and officers' liability insurance) policy for the Management Board, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the Management Board member must be agreed upon. A similar deductible must be agreed upon in any D&O policy for the Supervisory Board.

QIAGEN's D&O insurance policy provides for a fixed deductible of \$10,000 for members of the Managing Board and the Supervisory Board, which we consider an appropriate sign by our members of taking responsibility for their actions.

2. Item 4.2.3 paragraph 3

For instance, share or index-based compensation elements related to the enterprise may come into consideration as variable components. These elements shall be related to demanding, relevant comparison parameters. Changing such performance targets or the comparison parameters retroactively shall be excluded. For extraordinary developments a possibility of limitation (cap) must in general be agreed upon by the Supervisory Board.

From time to time, the members of our Managing Board are granted restricted stock units, performance stock units and options to acquire common shares at an exercise price set 2% higher than the market price on the grant date (as determined by reference to an organized trading market or association). These option rights and stock units are subject to multiyear vesting periods and sales restrictions. Members of the Managing Board cannot realize any profit from these grants unless they succeed in increasing shareholder value on a long-term period. For these reasons, as well as to ensure comparability to equity-based incentives granted by peer companies in our industry, we consider these terms to be the most appropriate comparison parameters for the restricted stock units and stock options granted to Managing Board members. These stock units have performance requirements that must be met in addition to the time-vesting conditions.

3. Item 4.2.3 paragraph 4 and 5

In concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his contract without serious cause do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. The severance payment cap shall be calculated on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current financial year.

Payments promised in the event of premature termination of a Management Board member's contract due to a change of control shall not exceed 150% of the severance payment cap.

The employment agreements with Managing Directors have an indefinite term, but can be terminated with a three-month notice period by the Managing Director and with a six-month notice period by QIAGEN. The members of the Managing Board have additional employment agreements with other QIAGEN affiliates that have longer notice periods (Mr. Schatz and Mr. Sackers 36 months). In case of a termination without serious cause as defined by the applicable law, QIAGEN would remain obliged to compensate the Managing Board Member for the remaining term of the agreement.

No arrangements exist for early retirement of Managing Board members. In the event of the sale or transfer of all or substantially all of QIAGEN's assets or business to an acquirer in one or several transactions including a merger, consolidation or a transfer of shares to a third party, the Managing Board members are entitled to a Change of Control bonus payment commensurate to a multiple (Mr. Schatz 5 times, Mr. Sackers 3 times) of their annual salary (fixed payment and annual bonus). QIAGEN believes that these severance and Change of Control agreements are appropriate due to the long tenures of the Managing Board members.

Corporate Governance Statement

This is a statement concerning corporate governance as referred to in article 2a of the decree on additional requirements for annual reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) effective as of January 1, 2010 (the “Decree”). The information required to be included in this corporate governance statement as described in articles 3, 3a and 3b of the Decree can be found in the following sections of this Annual Report:

- The information concerning compliance with the Dutch Corporate Governance Code (published at www.commissiecorporategovernance.nl), as required by article 3 of the Decree, can be found in the relevant sections under "Corporate Governance Report" in this Annual Report;
- The information concerning QIAGEN's risk management and control frameworks relating to the financial reporting process, as required by article 3a sub a of the Decree, can be found in the relevant sections under "Corporate Governance Report" in this Annual Report;
- The information regarding the functioning of QIAGEN's General Meeting of Shareholders, and the authority and rights of QIAGEN's shareholders, as required by article 3a sub b of the Decree, can be found in the relevant sections under "Corporate Governance Report" in this Annual Report;
- The information regarding the composition and functioning of QIAGEN's Managing Board, the Supervisory Board and its committees, as required by article 3a sub c of the Decree, can be found in the relevant sections under "Corporate Governance Report " and the Report of the Supervisory Board in this Annual Report;
- The information concerning the inclusion of the information required by the Decree Article 10 EU Takeover Directive, as required by article 3b of the Decree, can be found in the relevant sections under "Corporate Governance Report" in this Annual Report;

Requirements – Germany

QIAGEN is required, as a company of which the shares are listed on the Frankfurt Stock Exchange, to state how it has applied the main principles and how far it has complied with the provisions of the German Corporate Governance Code.

Requirements – the United States

QIAGEN's shares are listed on the NASDAQ Global Select Market and must therefore comply with such of the requirements of US legislation, such as the Sarbanes-Oxley Act of 2002, regulations enacted under US securities laws and the listing standards of NASDAQ as are applicable to foreign private issuers.

Responsibility Statement of the Management Board

In accordance with best practice II.1.5 of the Dutch corporate governance code of December 2008, taking into account the recommendation of the Corporate Governance Code Monitoring Committee on the application thereof, the Managing Board confirms that internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and confirms that these controls functioned properly in the year under review and that there are no indications that they will not continue to do so. The financial statements fairly represent the Company's financial condition and the results of the Company's operations and provide the required disclosures.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realization of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations.

In accordance with Article 5.25c of the Financial Markets Supervisory Act, and in view of all of the above the management board confirms that, to its knowledge, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the annual report includes a fair review of the position at the balance sheet date and the development and performance of the business during the financial year together with a description of the principal risks and uncertainties that the Company faces.

QIAGEN N.V.

CONSOLIDATED FINANCIAL STATEMENTS

QIAGEN N.V.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands)

	Note	December 31, 2012	December 31, 2011
Assets			
Current assets:			
Cash and cash equivalents	(3)	\$ 394,702	\$ 221,598
Current available-for-sale financial instruments	(7)	90,451	54,577
Trade accounts receivable	(8)	250,729	230,770
Income taxes receivable		39,150	19,009
Inventories	(3)	135,293	132,236
Prepaid expenses and other current assets	(9)	36,149	42,726
Total current assets		946,474	700,916
Non-current assets:			
Property, plant and equipment	(10)	377,623	345,170
Goodwill	(12)	1,783,913	1,746,773
Other intangible assets	(12)	946,602	891,887
Investments in associates	(11)	22,122	35,647
Non-current available-for-sale financial instruments	(7)	15,511	6,802
Deferred tax assets	(17)	8,238	94,127
Other non-current assets		21,047	12,832
Total non-current assets		3,175,056	3,133,238
Total assets		\$ 4,121,530	\$ 3,834,154

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

QIAGEN N.V.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in \$ thousands, except par value)

	Note	December 31, 2012	December 31, 2011
Liabilities and equity			
Current liabilities:			
Current financial debts	(15)	\$ 948	\$ 145,963
Trade and other accounts payable		51,311	59,848
Provisions	(13)	5,636	5,063
Income tax payable		14,879	31,364
Other current liabilities	(14)	189,983	205,482
Total current liabilities		262,757	447,720
Non-current liabilities:			
Non-current financial debts	(15)	841,685	430,562
Deferred tax liabilities	(17)	165,259	259,286
Other non-current liabilities	(14)	57,739	63,775
Total non-current liabilities		1,064,683	753,623
Equity:			
Common shares		2,769	2,739
Share premium		1,884,547	1,842,648
Retained earnings	(18)	883,655	757,464
Reserves		49,113	20,466
Treasury shares	(19)	(35,653)	—
Equity attributable to the owners of QIAGEN N.V.		2,784,431	2,623,317
Non-controlling interest		9,659	9,494
Total equity		2,794,090	2,632,811
Total liabilities and equity		\$ 4,121,530	\$ 3,834,154

Issued Shares

Authorized common shares: 410,000, EUR 0.01 par value	236,487	234,221
Authorized preference shares: 450,000, EUR 0.01 par value	—	—
Authorized financing shares: 40,000, EUR 0.01 par value	—	—

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

QIAGEN N.V.

CONSOLIDATED INCOME STATEMENTS
(in thousands, except per share data)

	Note	Years ended December 31,	
		2012	2011
Net sales		\$ 1,254,456	\$ 1,169,747
Cost of sales		(430,963)	(421,391)
Gross profit		823,493	748,356
Operating expenses:			
Other operating income		1,629	6,005
Research and development expense		(116,374)	(183,348)
Sales and marketing expense		(382,339)	(341,180)
General and administrative, restructuring, integration and other expense		(153,737)	(195,644)
Other operating (expense)		(1,498)	(3,869)
Total operating expenses		(652,319)	(718,036)
Income from operations		171,174	30,320
Financial income		4,704	7,390
Financial expense		(34,521)	(38,049)
Foreign currency gains (losses), net		(7,234)	12,392
Gain from investments in associates		1,726	196
Other financial income		1,424	604
Income before income taxes		137,273	12,853
Income tax expense	(17)	(11,051)	29,199
Net income		\$ 126,222	\$ 42,052
- attributable to non-controlling interest		\$ 31	\$ (1,089)
- attributable to the owners of QIAGEN N.V.		\$ 126,191	\$ 43,141
Basic earnings per common share attributable to the owners of QIAGEN N.V.		\$ 0.54	\$ 0.18
Diluted earnings per common share attributable to the owners of QIAGEN N.V.		\$ 0.53	\$ 0.18
Weighted average shares outstanding (in thousands)			
Basic		235,582	233,850
Diluted		237,923	236,726

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

QIAGEN N.V.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Note	Years ended December 31,	
		2012	2011
Net income		\$ 126,222	\$ 42,052
Items that may be reclassified subsequently to net income:			
Gains on cash flow hedges, before tax		305	5,417
Reclassification adjustments on cash flow hedges, before tax		781	(3,961)
Cash flow hedges, before tax		1,086	1,456
Foreign currency translation adjustments, before tax		27,601	(51,358)
Other comprehensive income (loss), before tax		28,687	(49,902)
Income tax relating to components of other comprehensive income (loss)		151	(1,120)
Total other comprehensive income (loss), after tax		28,838	(51,022)
Total comprehensive income (loss)		\$ 155,060	\$ (8,970)
- attributable to non-controlling interest		\$ 222	\$ (3,160)
- attributable to the owners of QIAGEN N.V.		\$ 154,838	\$ (5,810)

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

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

	Note	Years ended December 31,	
		2012	2011
Net income		\$ 126,222	\$ 42,052
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and impairment of intangible and other assets		227,921	273,417
Non-cash impacts from convertible notes		11,084	13,179
Loss on sale of property, plant and equipment		3,004	293
Gain on sale of investments		—	(604)
Deferred income taxes	(17)	(31,526)	(59,463)
Share based compensation	(22)	29,057	37,941
Other non-cash items		(15,905)	9,131
Net changes in operating assets and liabilities:			
Accounts receivable	(8)	(14,281)	(29,356)
Inventories	(3)	(20,376)	(15,945)
Income tax receivables	(17)	(19,220)	(7,154)
Other assets		6,320	9,720
Accounts payable		(9,945)	7,261
Accrued and other liabilities	(14)	(7,021)	(9,703)
Income tax payables	(17)	(16,247)	(3,916)
Net cash provided by operating activities		269,087	266,853
Purchases of property, plant and equipment		(101,996)	(86,805)
Purchases of intangible assets		(26,089)	(34,583)
Capitalization of development expenses	(12)	(21,401)	(16,641)
Proceeds from sale of equipment		1,312	2,020
Sale/(Purchase) of available-for-sale assets	(7)	(33,943)	55,813
Purchase of investments	(11)	(8,173)	(19,284)
Cash paid for acquisitions, net of cash acquired	(5)	(131,997)	(457,483)
Net cash used in investing activities		(322,287)	(556,963)
Net repayment/proceeds from short-term debt	(15)	(143,311)	186,329
Proceeds from long-term debt	(15)	400,000	—
Repayment of long-term debt	(15)	(1,607)	(469,857)
Cash paid for debt issuance costs	(15)	(2,084)	—
Principal payments on finance leases		(3,780)	(3,703)
Proceeds from issuance of common shares		16,579	8,778
Purchase of treasury shares	(19)	(35,653)	—
Acquisition of noncontrolling interest		(57)	(29,783)
Other financing activities		(6,008)	(7,558)
Net cash provided by financing activities		224,079	(315,794)
Effect of exchange rate changes on cash and cash equivalents		2,225	(2,852)
Net increase (decrease) in cash and cash equivalents		173,104	(608,756)
Cash and cash equivalents, beginning of period		221,598	830,354
Cash and cash equivalents, end of period		\$ 394,702	\$ 221,598
Supplemental cash flow disclosures:			
Cash paid for interest		\$ (19,838)	\$ (20,432)
Cash received for interest		\$ 2,382	\$ 6,128
Cash paid for income taxes		\$ (61,586)	\$ (41,494)
Supplemental disclosure of non-cash investing and financing activities:			
Equipment purchased through capital lease		\$ 492	\$ 545
Investment acquired in non-monetary exchange		\$ 3,842	\$ —
Intangible assets acquired in non-monetary exchange		\$ 5,658	\$ —

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

QIAGEN N.V.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)

	Note	Common Shares		Share premium	Retained Earnings	Cash flow hedge reserve	Foreign currency translation	Reserves	Treasury Shares		Equity Attributable to the Owners of QIAGEN N.V.	Non-controlling Interest	Total Equity
		Shares	Amount						Shares	Amount			
BALANCE AT JANUARY 1, 2011		233,115	\$ 2,724	\$1,811,633	\$ 714,323	\$ (1,644)	\$ 71,061	\$ 69,417	—	\$ —	\$ 2,598,097	\$ —	\$2,598,097
Net income (loss)		—	—	—	43,141	—	—	—	—	—	43,141	(1,089)	42,052
Other comprehensive income (loss)		—	—	—	—	882	(49,833)	(48,951)	—	—	(48,951)	(2,071)	(51,022)
Total comprehensive income (loss)		—	—	—	43,141	882	(49,833)	(48,951)	—	—	(5,810)	(3,160)	(8,970)
Tax benefit of employee stock plans		—	—	(4,565)	—	—	—	—	—	—	(4,565)	—	(4,565)
Share-based payments		—	—	26,817	—	—	—	—	—	—	26,817	—	26,817
Employee stock plans		1,106	15	8,763	—	—	—	—	—	—	8,778	—	8,778
Acquisition of Ipsogen S.A. shares from non-controlling interests		—	—	—	—	—	—	—	—	—	—	12,654	12,654
BALANCE AT DECEMBER 31, 2011		234,221	\$ 2,739	\$1,842,648	\$ 757,464	\$ (762)	\$ 21,228	\$ 20,466	—	\$ —	\$ 2,623,317	\$ 9,494	\$2,632,811
Net income		—	—	—	126,191	—	—	—	—	—	126,191	31	126,222
Other comprehensive income (loss)		—	—	—	—	762	27,885	28,647	—	—	28,647	191	28,838
Total comprehensive income (loss)		—	—	—	126,191	762	27,885	28,647	—	—	154,838	222	155,060
Purchase of treasury shares		—	—	—	—	—	—	—	(1,943)	(35,653)	(35,653)	—	(35,653)
Tax benefit of employee stock plans		—	—	(3,707)	—	—	—	—	—	—	(3,707)	—	(3,707)
Share-based payments	(23)	—	—	29,057	—	—	—	—	—	—	29,057	—	29,057
Employee stock plans		2,266	30	16,549	—	—	—	—	—	—	16,579	—	16,579
Acquisition of Ipsogen S.A. shares from non-controlling interests		—	—	—	—	—	—	—	—	—	—	(57)	(57)
BALANCE AT DECEMBER 31, 2012		236,487	\$ 2,769	\$1,884,547	\$ 883,655	\$ —	\$ 49,113	\$ 49,113	(1,943)	\$ (35,653)	\$ 2,784,431	\$ 9,659	\$2,794,090

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

QIAGEN N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

1. Corporate Information, Basis of Presentation and Statement of Compliance

QIAGEN N.V. 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 Sample and Assay Technologies. These technologies—consumable products such as sample and assay kits and automated instrumentation systems—empower customers to transform raw biological samples into valuable molecular information. We serve four major customer classes: Molecular Diagnostics laboratories; Applied Testing customers in fields such as forensics, veterinary diagnostics and food safety; Pharmaceutical research and development groups, and Academic researchers. We market our products in more than 100 countries.

The accompanying consolidated financial statements were prepared in accordance with International Financial Reporting standards (IFRS) as endorsed by the European Union (EU) and all amounts are presented in U.S. dollars rounded to the nearest thousand, unless otherwise indicated. The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, contingent consideration and available-for-sale financial instruments that have been measured at fair value.

On May 3, 2012, we acquired AmniSure International LLC, located in Boston, Massachusetts (AmniSure). Accordingly, as of May 3, 2012, all of the assets acquired and liabilities assumed were recorded at their respective fair values and our consolidated results of operations for the periods ended December 31, 2012 include AmniSure's operating results from May 3, 2012 through December 31, 2012.

The consolidated financial statements of QIAGEN for the year ended December 31, 2012, were authorized for issue in accordance with a resolution of the Supervisory Board on April 22, 2013.

2. Effects of New Accounting Policies and Disclosures

The new accounting policies adopted in 2012 did not have a material impact to the Consolidated Financial Statements.

The amendments to IFRS 7, '*Financial instruments: Disclosures: Transfer of financial assets*' adopted in 2012 promote transparency in the reporting of transfer transactions to improve the understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. No additional disclosures were required as a result of the adoption of this amendment.

New and amended standards and interpretations not yet adopted:

The Group has not early adopted the following new and amended standards. We do not expect any significant impact on the financial position or performance resulting from the new and amended standards listed below. We intend to adopt the new and amended standards at their respective effective dates.

- IAS 1, '*Financial statements presentation - presentation of items of other comprehensive income*' changes the grouping of items presented in other comprehensive income and affects its presentation. Items that could be reclassified to profit or loss at a future point would be presented separately from items that will never be reclassified. The amendment becomes effective for our 2013 Consolidated Financial Statements. While we are not early adopting the amendments to IAS 1, we have noted within the Consolidated Statement of Comprehensive Income which elements will, through recycling, impact net income in the future.
- IFRS 7, '*Financial instruments: Offsetting financial assets and financial liabilities*' these amendments would provide users with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analyzing and comparing financial statements. The amendments to IFRS 7 are to be applied retrospectively for annual periods beginning on or after January 1, 2013.
- IAS 32, '*Financial instruments: Presentation: Offsetting financial assets and financial liabilities*', effective January 1, 2014. These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.
- IFRS 9, '*Financial instruments - Classification and measurement*' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made

at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The amendment becomes effective January 1, 2015.

- IFRS 10, '*Consolidated financial statements*' is mandatory for periods beginning on or after January 1, 2013. The standard provides additional guidance to assist in the determination of control where this is difficult to assess and defines the principle of control, and establishes control as the basis for consolidation.
- IFRS 11, '*Joint arrangements*', effective for periods beginning on or after January 1, 2013, defines two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12, '*Disclosures of interests in other entities*' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The new standard becomes effective for periods beginning on or after January 1, 2013.
- IFRS 13, '*Fair value measurement*', aims to improve consistency and to reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The new standard becomes effective for periods beginning on or after January 1, 2013.
- Amendments to IAS 19, '*Employee Benefits*', which become mandatory for our 2013 Consolidated Financial Statements, aim to improve the understanding of how defined benefit plans affect an entity's financial position, financial performance and cash flows and are likely to impact the amount of actuarial gains and losses that will impact net income versus be allocated to other comprehensive income as remeasurements. Since we do not have any significant defined benefit plans, we do not expect these amendments to have a material impact to our financial statements.

3. Summary of Significant Accounting Policies

3.1 Consolidation Principles

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31, 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interest. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interest even this results in a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest, the cumulative translation differences, recorded in equity, recognizes the fair value of the consideration received, recognizes the fair value of any investment retained, any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

3.2 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group measures the non-controlling interest in the acquiree at fair-value. Acquisition related costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred and the amount recognized for non-controlling

interest over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Management monitors and makes decisions regarding the Company's operations on a functional specific and global level. Therefore, we concluded that the consolidated group as a whole qualifies as one cash generating unit.

3.3 Investments in Associates

Investments in associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence, generally participations of 20% or more of the voting power, but over which it does not exercise management control.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value.

3.4 Foreign Currency Translation

The Company's presentation currency is the U.S. dollar (US\$) which is also the parents company's functional currency. The subsidiaries' functional currencies are the local currency of the respective country with the exception of QIAGEN Finance (Luxembourg) S.A. and QIAGEN Euro Finance (Luxembourg) S.A. which functional currencies is the U.S. dollar. Statements of financial position prepared in the functional currencies are translated to the presentation currency at exchange rates in effect at the end of the accounting period except for shareholders' equity accounts, which are translated at rates in effect when these balances were originally recorded. Revenue and expense accounts are translated at a weighted average of exchange rates during the period. The cumulative effect of translation is included in shareholders' equity. On disposal of the Group Company, such translation differences are recognized in the income statement as part of the gain or loss on sale.

Foreign currency transactions are translated using the exchange rate prevailing at the dates of the transactions. Foreign currency transaction gains and losses are included in the income statement, except for those related to intercompany transactions of a long-term investment nature which represent in substance part of the reporting entity's net investment in a foreign entity; such gains and losses are included in the cumulative foreign currency translation adjustments component of shareholders' equity. The net gain (loss) on foreign currency transactions in 2012, and 2011 was \$(7.2) million, and \$12.4 million, respectively.

The exchange rates of key currencies affecting the Company were as follows:

(US\$ equivalent for one)	Closing rate as at December 31,		Annual average rate	
	2012	2011	2012	2011
Euro (EUR)	1.3194	1.2939	1.2856	1.3917
Pound Sterling (GBP)	1.6167	1.5490	1.5850	1.6035
Swiss Franc (CHF)	1.0929	1.0644	1.0666	1.1302
Australian Dollar (AUD)	1.0379	1.0170	1.0358	1.0323
Canadian Dollar (CAD)	1.0043	0.9791	1.0007	1.0117
Japanese Yen (JPY)	0.0116	0.0129	0.0125	0.0125
Chinese Yuan (CNY)	0.1605	0.1586	0.1585	0.1547

3.5 Revenue Recognition

Our revenues are reported net of sales and value added taxes, discounts and sales allowances, and are derived primarily from the sale of consumable and instrumentation products, and to a much lesser extent, from the sale of services, intellectual property

and technology. We recognize revenue when four basic criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured.

Consumable and Related Products: Revenue from consumable product sales typically accounts for approximately 83-87% of our net sales and is generally recognized upon transfer of title consistent with the shipping terms. We maintain a small amount, on average less than \$3.0 million in total, of consignment inventory at certain customer locations. Revenues for the consumable products which are consigned in this manner are recognized upon consumption. We generally allow returns of consumable products if the product is returned in a timely manner and in good condition. Allowances for returns are provided for based upon the historical pattern of returns and Management's evaluation of specific factors that impact the risk of returns.

Revenues from related products include license fees, intellectual property and patent sales, royalties and milestone payments and typically account for approximately 1-3% of our net sales. License fees from research collaborations include payments for technology transfer and access rights. Non-refundable, up-front payments received in connection with collaborative research and development agreements are generally deferred and recognized on a straight-line basis over the contract period during which there is any continuing obligation. Revenue from intellectual property and patent sales is recognized when earned, either at the time of sale, or over the performance period. Payments for milestones, generally based on the achievement of substantive and at-risk performance criteria, are recognized in full at such time as the specified milestone has been achieved according to the terms of the agreement. Royalties from licensees are based on reported sales of licensed products and revenues are calculated based on contract terms when reported sales are reliably measurable, fees are fixed or determinable and collectability is reasonably assured.

Instrumentation: Revenue from instrumentation includes the instrumentation equipment, installation, training and other instrumentation services, such as extended warranty services or product maintenance contracts and typically account for approximately 10-15% of net sales. Revenue from instrumentation equipment is generally recognized when title passes to the customer, upon either shipment or written customer acceptance after satisfying any installation and training requirements.

We offer our customers access to our instrumentation via reagent rental agreements which place instrumentation with customers without requiring them to purchase the equipment. Instead, we recover the cost of providing the instrumentation in the amount charged for Sample and Assay Technology consumable products. The instruments placed with customers under a reagent rental agreement are depreciated and charged to cost of sales on a straight-line basis over the estimated life of the instrument, typically 3 to 5 years. The costs to maintain these instruments in the field are charged to cost of sales as incurred. Revenue from these reagent rental agreements is generally recognized as the consumable products are shipped.

We have contracts with multiple elements which are assessed to determine whether there is more than one unit of accounting. In order for a deliverable to qualify as a separate unit of accounting, all of the following criteria must be met:

- The delivered items have value to the client on a stand-alone basis;
- The arrangement includes a general right of return relative to the delivered items, and
- Delivery or performance of the undelivered items is considered probable and substantially in the control of the Company.

Arrangement consideration is allocated at the inception of the arrangement to all deliverables on the basis of their relative selling price. Effective as of January 1, 2011, when applying the relative selling price method, the selling price for each deliverable is determined using (a) vendor-specific objective evidence of selling price, if it exists; or otherwise (b) third-party evidence of selling price. If neither vendor-specific objective evidence nor third-party evidence of selling price exists for a deliverable, then the best estimated selling price for the deliverable is used. Prior to January 1, 2011, only the vendor-specific objective evidence of selling price was used. The arrangement consideration is allocated to the separate units of accounting based on each unit's relative fair value. Revenue is then recognized using a proportional-performance method, such as recognizing revenue based on relative fair value of products or services delivered, or on a straight-line basis as appropriate. If these criteria are not met, deliverables included in an arrangement are accounted for as a single unit of accounting and revenue and costs are deferred until the period in which the final deliverable is provided.

Shipping and Handling Income and Costs

Shipping and handling costs charged to customers are recorded as revenue in the period that the related product sale revenue is recorded. Associated costs of shipping and handling are included in sales and marketing expenses.

Advertising Costs

The costs of advertising are expensed as incurred and are included as a component of sales and marketing expense.

General and Administrative, Restructuring, Integration and Other

General and administrative expenses primarily represent the costs required to support administrative infrastructure. In addition, we incur indirect acquisition and business integration costs in connection with business combinations. These costs represent incremental costs that we believe would not have been incurred absent the business combinations. Major components of these costs include payroll and related costs for employees remaining with the Company on a transitional basis; public relations, advertising and media costs for re-branding of the combined organization; and, consulting and related fees incurred to integrate or restructure the acquired operations. Other costs include relocation and restructuring costs. These costs are expensed as incurred.

3.6 Research and Development

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses.

Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in research and development expense. During the period of development, the asset is tested for impairment annually. The capitalized expenses are amortized on a straight-line basis over their estimated useful lives (between two and twelve years).

3.7 Government Grants

We recognize government grants when there is reasonable assurance that all conditions will be complied with and the grant will be received. Our government grants generally represent subsidies for specified activities and are therefore recognized when earned as a reduction of the expenses recorded for the activity that the grants are intended to compensate. Thus, when the grant relates to research and development expense, the grant is recognized over the same period that the related costs are incurred. Otherwise, amounts received under government grants are recorded as liabilities in the statement of financial position. When the grant relates to an asset, the value of the grant is deducted from the carrying amount of the asset and recognized over the same period that the related asset is depreciated.

The Company has received cost grants and investment grants. In 2012, the Company recorded income from Government grants in the amount of \$3.7 million (2011: \$3.3 million). As of December 31, 2012, liabilities in the amount of \$0.6 million (2011: \$2.9 million) are recorded with respect to grants which have been received but for which not all conditions have been met.

3.8 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (qualifying asset) when such borrowing costs are significant. All other borrowing costs are expensed in the period they occur.

3.9 Pension Obligations

The Group operates a number of defined benefit and defined contribution plans. For defined benefit plans, the Group companies provide for benefits payable to their employees on retirement by charging current service costs to income. The defined benefit liability comprises the present value of the defined benefit obligation less past service cost and actuarial gains and losses not yet recognized and less the fair value of plan assets out of which the obligations are to be settled directly. Defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method, which reflects services rendered by employees to the date of valuation, incorporates assumptions concerning employees' projected salaries and uses interest rates of highly liquid corporate bonds which have terms to maturity approximating the terms of the related liability. Significant actuarial gains or losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the average service life of the related employees when they exceed the corridor. The Group's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each

individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

3.10 Share-Based Payments

The Company has a stock option plan, which is described in detail under Note 22 'Share-Based Payments'. A compensation charge is calculated at the date the options are granted. This charge is recognized over the stock option's vesting period. When the option is exercised, the proceeds received net of any transaction costs are credited to share capital and share premium.

3.11 Taxation

Taxes reported in the consolidated income statements include current and deferred income taxes.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Uncertain tax positions

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of Interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group Company's domicile. As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

3.12 Financial Assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss (FVTPL), loans and receivables (LaR), held-to maturity, and available for sale (Afs), or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired, the Group retains the right to receive cash flows from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement, or the Group has transferred its rights to receive cash flows from the assets and either (a) has transferred substantially all the risks and rewards of the assets or (b) has neither transferred nor retained substantially all the risks

and rewards of the assets, but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from assets and has neither transferred nor retained substantially all the risks and rewards of the assets nor transferred control of the assets, the assets are recognized to the extent of the Group's continuing involvement in the assets. Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the assets and the maximum amount of consideration that the Group could be required to repay.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include derivative financial instruments not designated as hedging instrument and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as at fair value through profit or loss if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the income statement.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

The Group evaluated its financial assets at fair value through profit and loss whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments and hedge relations as defined by IAS 39 Derivatives.

Loans and receivables (LaR)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

The effective interest rate amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs

Available-for-sale financial investments (Afs)

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other financial income and expense, or determined to be impaired, at which time the cumulative loss is recognized in the income statement in other financial income and expense and removed from the available-for-sale reserve.

The Group evaluated its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity (Available-for-sale reserve in other comprehensive income) is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the income statement other financial income and expense.

3.13 Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at fair value through profit or loss if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities at fair value through profit or losses are recognized in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance cost in the income statement.

3.14 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.15 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (mid-price), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 25 'Fair Value Measurements'.

3.16 Derivative Financial Instruments and Hedge Accounting

Initial recognition and subsequent measurement The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps contracts to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income (cash flow hedge reserve).

For the purpose of hedge accounting, hedges are classified as:

Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with

a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the income statement in finance costs.

Amounts recognized as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments. Refer to Note 26 'Financial Risk Factors and Use of Derivative Financial Instruments' for more details.

3.17 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit in banks and other cash invested temporarily in various instruments that are short-term and highly liquid, and having an original maturity of less than 90 days at the date of purchase.

<i>(in thousands)</i>	2012	2011
Cash at bank and on hand	<u>\$ 227,026</u>	<u>\$ 139,103</u>
Short-term bank deposits	<u>167,676</u>	<u>82,495</u>
Cash and Cash Equivalents	<u><u>\$ 394,702</u></u>	<u><u>\$ 221,598</u></u>

Short-term bank deposits have a maturity of three months or less. All funds are placed with banks with a high credit rating.

3.18 Inventories

Inventories are stated at the lower of cost and net realizable value. The moving average method of valuation is used. The cost of work in process and finished goods includes raw materials, direct labor and production overhead expenditure based upon normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less the cost of completion and distribution expenses. Provisions are established for slow-moving and obsolete inventory.

<i>(in thousands)</i>	2012	2011
Raw materials	<u>\$ 29,755</u>	<u>\$ 26,645</u>
Work in process	<u>34,231</u>	<u>33,757</u>
Finished goods	<u>71,307</u>	<u>71,834</u>
Inventories	<u><u>\$ 135,293</u></u>	<u><u>\$ 132,236</u></u>

Included in inventories as of December 31, 2012, are \$16.5 million (2011: \$12.1 million) of inventory provisions. The movement in inventory provisions was recorded under cost of sales. During 2012 inventories in the amount of \$129.3 million have been recognized as cost of sales (2011: \$126.4 million).

3.19 Property, Plant and Equipment

Property, plant and equipment, including equipment under finance lease, are stated at cost of acquisition or construction cost less accumulated depreciation and accumulated impairment in value. Depreciation is computed using the straight-line and declining balance methods over the following estimated useful lives of the assets:

Buildings and improvements	2-40 years
Machinery and equipment	3-20 years
Furniture and office equipment	1-13 years

Land is not depreciated. Construction costs include borrowing costs and operating expenses that are directly attributable to items of property, plant and equipment capitalized during construction. Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Subsequent expenditure on an item of property, plant and equipment is capitalized at cost only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repair and maintenance costs are expensed as incurred. Gains and losses on disposal or retirement of items of property, plant and equipment are determined by comparing the proceeds received with the carrying amounts and are included in the consolidated income statements. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

3.20 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

3.21 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Expenditure on acquired technology rights, patents, trademarks and licenses are capitalized as intangible assets when it is probable that future economic benefits will flow to the Group and the cost can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Amortization expense related to developed technology and patent and license rights acquired in a business combination is included in cost of sales. Amortization of trademarks and customer base acquired in a business combination is recorded in sales and marketing expense. Amortization expenses of intangible assets not acquired in a business combination are recorded within cost of sales, research and development, or sales and marketing line items based on the nature and use of the asset.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense

category consistent with the function of the intangible asset.

Technology rights, patents, trademarks and licenses are amortized on a straight-line basis over their estimated useful lives as follows:

Technology rights and patents	3-14 years
Computer software	1-10 years
Development expenses	6-15 years
Other intellectual properties	2-16 years

3.22 Impairment

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill

Goodwill is subject to impairment tests annually or earlier if indicators of potential impairment exist. We assess goodwill for impairment at least annually in the absence of an indicator of possible impairment and immediately upon an indicator of possible impairment.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3.23 Provisions

Provisions are recognized by the Group when a present legal or constructive obligation exists as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financing cost.

Restructuring provisions are recorded in the period in which management has committed to a detailed formal plan, has raised a valid expectation in those affected that it will carry out the restructuring and it becomes probable that a liability will be incurred and the amount can be reasonably estimated. Restructuring provisions comprise lease termination penalties, other penalties and employee termination payments.

3.24 Segment Reporting

We determined that we operate as one operating segment. Our chief operating decision maker (CODM) makes decisions based on the Company as a whole. In addition, we have a common basis of organization and types of products and services which derive revenues and consistent product margins. Accordingly, we operate and make decisions as one reporting unit.

3.25 Cash Flow Statement

The cash flow statement provides an explanation of the changes in cash and cash equivalents. It is prepared on the basis of a comparison of the statements of financial position as of January 1 and December 31 using the indirect method. Investing and financing transactions that do not require the use of cash or cash equivalents have been excluded from the cash flow statement. In 2012 and 2011 such eliminations primarily related to non-cash impacts from the convertible bonds.

Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of Assets

Assets are tested or reviewed for impairment in accordance with the accounting policy stated under Note 3.22.

In the fourth quarter of 2012, we performed our annual impairment assessment of goodwill (using data as of October 1, 2012). We performed our goodwill impairment testing on a single reporting unit basis which is consistent with our reporting structure. In testing for potential impairment, we measured the estimated fair value of our business based upon discounted future operating cash flows using a discount rate reflecting our estimated average cost of funds. Differences in assumptions used in projecting future operating cash flows and cost of funds could have a significant impact on the determination of impairment amounts. In estimating future cash flows, we used our internal five-year projections. Our projections were based on recent sales data for existing products, planned timing of new product launches or capital projects, and customer commitments related to new and existing products. These projections also included assumptions of future production volumes and pricing. Based on the sensitivity analysis performed, we determined that in the event that our estimates of projected future cash flows, growth rates and weighted average cost of capital were too high by 10%, there would still be no impact on the reported value of goodwill. We concluded that no impairment existed at October 1, 2012 or through December 31, 2012.

Due to the numerous variables associated with our judgments and assumptions relating to the valuation of the reporting units and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates are subject to uncertainty, and as additional information becomes known, we may change our estimates.

Development Costs

Development costs are capitalized in accordance with the accounting policy stated under Note 3.6. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During 2012 the management reviewed the carrying amount of projects and assessed whether they were impaired or not. As per end of December 31, 2012 we considered an impairment loss of \$5.6 million (2011: \$56.1 million, included in amortization of capitalized development costs under research and development expense.

Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining provisions for income taxes. Some of these estimates are based on interpretations of existing laws or regulations. Various internal and external factors, such as changes in tax laws, regulations and rates, changing interpretations of existing tax laws or regulations, future level of research and development spending and changes in overall levels of pre-tax income may have favorable or unfavorable effects on the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognized in accordance with the accounting policy stated in Note 3.11. Deferred tax assets are recognized for net operating loss carry-forwards to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profits.

Share-Based Payments

The Company utilizes the Black-Scholes-Merton valuation model for estimating the fair value of its stock options as stated under Note 22 'Share-Based Payments'. 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:

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: We have never declared or paid dividends on our common stock and do 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 model in accordance with IFRS 2 'Share-based Payment'. 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.

Restricted Stock Units and Performance Stock Units: Restricted stock units and performance stock units represent rights to receive Common Shares at a future date. The fair market value is determined based on the number of stock units granted and the fair market value of our shares on the grant date. The fair market value at the time of the grant, less an estimate for pre-vesting forfeitures, is recognized in expense over the vesting period.

4. Segment Information

Considering the acquisitions made during 2012, we determined that we still operate as one business segment in accordance with IFRS 8 *Operating Segments*. As a result of our continued restructuring and streamlining of the growing organization, our chief operating decision maker (CODM) makes decisions with regards to business operations and resource allocation based on evaluations of QIAGEN as a whole. Accordingly, we operate as one business segment. Summarized product category and geographic information is shown in the tables below.

Product Category Information

Net sales for the product categories are attributed based on those revenues related to sample and assay products and similarly related revenues, and revenues derived from instrumentation sales.

(in thousands)	2012	2011
Net Sales		
Consumables and Related Revenues	\$ 1,085,596	\$ 1,011,863
Instrumentation	168,860	157,884
Total	<u>\$ 1,254,456</u>	<u>\$ 1,169,747</u>

Geographical Information

Net sales are attributed to countries based on the location of the subsidiary generating the sale. QIAGEN operates manufacturing facilities in Germany, Switzerland, China, the United Kingdom, France 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 intersegment portions of such net sales are excluded to derive consolidated net sales. No single customer represents more than ten percent of consolidated net sales. Our official country of domicile is the Netherlands, which reported net sales of \$23.7 million and \$23.9 million for the years ended 2012 and 2011, respectively, and these amounts are included in the line item Europe as shown in the table below.

(in thousands)	2012	2011
Net Sales		
Americas:		
United States	\$ 518,130	\$ 466,502
Other Americas	42,921	55,137
Total Americas	<u>561,051</u>	<u>521,639</u>
Europe	459,321	444,441
Asia Pacific & Rest of World	234,084	203,667
Total	<u>\$ 1,254,456</u>	<u>\$ 1,169,747</u>

Long-lived assets include property, plant and equipment, intangible assets, investments in associates, non-current available for sale financial instruments and other non-current assets. The Netherlands, which is included in the balances for Europe, reported long-lived assets of \$19.2 million and \$18.4 million for the years ended 2012 and 2011, respectively.

(in thousands)	2012	2011
Long-lived assets		
Americas:		
United States	\$ 1,722,637	\$ 1,600,027
Other Americas	11,589	11,995
Total Americas	<u>1,734,226</u>	<u>1,612,022</u>
Europe	902,247	880,360
Asia Pacific & Rest of World	530,346	546,729
Total	<u>\$ 3,166,819</u>	<u>\$ 3,039,111</u>

5. Acquisitions

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

2012 Acquisitions

On May 3, 2012, we acquired 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.

As of December 31, 2012, the final purchase price allocation is as follows:

(in thousands)	AmniSure acquisition
Purchase price:	
Cash consideration	\$ 101,415
Fair value of contingent consideration	4,530
	<u>\$ 105,945</u>
Allocation:	
Cash and cash equivalents	\$ 1,722
Accounts receivable	3,305
Inventories and other assets	1,134
Accounts payable, accruals and other liabilities	(864)
Fixed and other long-term assets	267
Developed technology, licenses and know-how	28,941
Customer relationships	25,520
Tradenames	2,692
In-process research and development	4,522
Goodwill	44,369
Deferred tax liability on fair value of identifiable intangible assets acquired	(5,202)
Long-term liabilities assumed	(461)
	<u>\$ 105,945</u>

The weighted-average amortization period for the intangible assets is 9.5 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 December 31, 2012 and 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 0.7% and 2.0%. Under the purchase agreement, we could be required to make additional contingent cash payments totaling \$35.0 million through 2017.

During 2012, we completed other acquisitions, including Intelligent Bio-Systems, Inc., which were not significant, either individually or in the aggregate, to the overall consolidated financial statements. The total cash paid for these acquisitions, net of cash acquired, was \$31.2 million of which an amount of \$5.2 million was retained in an escrow account to cover any claims for breach of any representations, warranties or indemnities. 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. This is discussed further in Note 25, "Fair Value Measurements," where we assess and adjust the fair value of the contingent consideration liabilities, if necessary, until the settlement or expiration of the contingency occurs. The total fair value of the contingent consideration for these other acquisitions of approximately \$12.0 million has been recorded as purchase price. Under the purchase agreements, we could be required to make contingent cash payments totaling \$12.5 million through 2016. The fair value of the contingent cash payments was determined using a discount rate of 0.7% to 1.6% and a probability regarding the accomplishment of the milestones of 95.0% to 100.0%.

Acquisition-related costs are expensed when incurred and are included in general and administrative, restructuring, integration and other in the accompanying consolidated statements of income. Acquisition-related costs for 2012 acquisitions amounted to \$4.5 million.

We made contingent purchase price payments totaling \$7.1 million in 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

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.

The final purchase price allocation for Cellestis did not differ from the preliminary estimates other than the recognition of approximately \$6.2 million of additional customer relationships, \$0.3 million of additional developed technology, \$3.9 million decrease of long-term deferred tax liability and an additional \$1.6 million of other opening balance sheet adjustments. The corresponding impact for these adjustments was a decrease to goodwill of \$12.0 million. These changes to arrive at the final purchase price allocation were not material to the consolidated financial statements. As of December 31, 2012, the final purchase price allocation for Cellestis is as follows:

(in thousands)	Cellestis acquisition
Purchase price:	
Cash consideration paid	\$ 372,452
	<u>\$ 372,452</u>
Allocation:	
Cash and cash equivalents	\$ 13,636
Accounts receivable	4,583
Accounts payable	(2,383)
Other working capital	2,629
Fixed and other long-term assets	1,112
Developed technology, licenses and know-how	67,500
Customer relationships	48,800
Tradenames	12,000
Goodwill	258,886
Deferred tax liability on fair value of identifiable intangible assets acquired	(34,079)
Liabilities assumed	(232)
	<u>\$ 372,452</u>

The weighted-average amortization period for intangible assets is 10.0 years. The goodwill acquired is not deductible for tax purposes.

During 2011, we acquired a majority shareholding in Ipsogen S.A., a publicly listed company founded in 1999 and based in Marseille, France, that 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 paid €40.9 million (\$57.4 million) for the initial 62.6% of Ipsogen outstanding common shares. On the acquisition date, the fair value of the noncontrolling interest was \$42.4 million and the fair value of all Ipsogen outstanding shares and other equity instruments was approximately €70.2 million (\$99.9 million). The fair value of the noncontrolling interest was based on reference to quoted market values of Ipsogen stock. The assignment of the total consideration including the fair value of the noncontrolling interest as of the date of the acquisition is shown below. Since the acquisition we have paid an additional total of \$29.8 million and hold 89.4% of the Ipsogen shares on a fully diluted basis as of December 31, 2012.

The final purchase price allocation for Ipsogen did not differ from the preliminary estimates other than the recognition of

approximately \$9.0 million of additional long-term deferred tax assets related to net operating losses, \$8.1 million of additional developed technology, \$2.8 million of additional long-term deferred tax liability related to the developed technology and a net change of \$0.3 million to other intangible assets. The corresponding impact for these adjustments was a decrease to goodwill of \$14.6 million. These changes to arrive at the final purchase price allocation were not material overall to the consolidated financial statements. As of December 31, 2012, the final purchase price allocation is as follows:

(in US\$ thousands)	Ipsogen acquisition
Purchase price:	
Cash consideration paid	\$ 57,436
Fair value of remaining shares	42,437
	<u>\$ 99,873</u>
Allocation:	
Cash and cash equivalents	\$ 5,971
Current available-for-sale financial instruments	5,060
Accounts receivable	3,421
Accounts payable	(1,782)
Other working capital	2,614
Deferred tax asset of acquired NOLs	8,997
Fixed and other long-term assets	2,429
Developed technology, licenses and know-how	44,500
Customer relationships	11,000
Tradenames	1,400
Goodwill	37,500
Deferred tax liability on fair value of identifiable intangible assets acquired	(19,325)
Liabilities assumed	(1,912)
	<u>\$ 99,873</u>

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

Since the acquisition dates, the results of Cellestis and Ipsogen are included in our consolidated results through December 31, 2011. Net sales for the combined companies totaled \$28.6 million and net loss attributable to the owners of QIAGEN N.V. was \$1.7 million as of December 31, 2011. Acquisition-related costs for Cellestis and Ipsogen for the year-ended December 31, 2011 amounted to \$5.8 million and \$5.6 million, respectively.

Pro forma results

The following unaudited pro forma information assumes that the Cellestis and Ipsogen occurred at the beginning of the periods presented. For the years ended December 31, 2011 and 2010, pro forma net sales would have been \$1,213.5 million and \$1,140.2 million, pro forma net income would have been \$55.6 million and \$136.9 million, and pro forma diluted net income per common share would have been \$0.23 and \$0.58, respectively. These unaudited pro forma results are intended for informational purposes only and are not necessarily indicative of the results of operations that would have occurred had the acquisitions been in effect at the beginning of the periods presented, or of future results of the combined operations.

Other 2011 Acquisitions

During 2011, we completed three acquisitions which individually were not significant to the overall consolidated financial statements. The cash paid for other 2011 acquisitions, net of cash acquired, was \$47.9 million of which an amount of \$8.5 million was retained in an escrow account to cover any claims for breach of any representations, warranties or indemnities. 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. This is discussed further in Note 25, "Fair Value Measurements," where we continuously assess and adjust the fair value of the contingent consideration liabilities, if necessary, until the settlement or expiration of the contingency occurs. The total fair value of the milestone payments of approximately \$6.9 million, determined as of the acquisition date, has been recognized as purchase price. The fair value of the milestone payments

of approximately \$5.5 million was determined using a discount rate of 1.70% and a probability regarding the accomplishment of the milestones of 90% to 100%. The fair value of the milestone payments of approximately \$1.4 million was determined using a discount rate of 3.25% with the assumption that only the first milestone will be met based on the assumptions of the business plan. Under the purchase agreements at the time of acquisition, we could be required to make additional contingent cash payments totaling \$44.0 million through 2016.

6. 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 2012, we recorded pretax charges of \$41.0 million, recorded in general, administrative, restructuring and other. In 2011, we recorded pretax charges of \$131.0 million, of which \$5.5 million is recorded in cost of sales, \$56.1 million is recorded in research and development expense and \$69.4 million is recorded in general and administrative, restructuring and other. The pretax charges in 2012 and 2011 consisted of \$5.5 million and \$20.1 million, respectively, for workforce reductions, \$7.6 million and \$8.6 million, respectively, for fixed asset impairments, and \$6 million and \$89.6 million, respectively, for intangible asset abandonment charges. The intangible asset charges represent the write off of capitalized costs related to development projects which were abandoned following the decision to streamline the organization and focus development efforts on those projects with the highest potential for market acceptance and profitability. Additionally, we incurred contract termination and consulting costs of \$18.8 million and \$12.7 million for the years ended December 31, 2012 and 2011, respectively, and in 2012 we recorded \$3.1 million for lease closure costs. We expect to record additional restructuring charges in 2013 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 consolidated income statements.

The following table summarizes the cash components of the restructuring costs. At December 31, 2012 and 2011, restructuring accruals of \$4.9 million and \$26.9 million, respectively, were included in other current liabilities in the accompanying consolidated statements of financial position.

(in thousands)	Personnel Related	Facility Related	Contract and Other Costs	Total
Balance at December 31, 2011	\$ 19,228	\$ 443	\$ 7,238	\$ 26,909
Additional costs in 2012	5,456	3,055	152	8,663
Payments	(21,301)	(1,032)	(6,036)	(28,369)
Release of excess accrual	(1,084)	—	(1,217)	(2,301)
Foreign currency translation adjustment	22	—	—	22
Balance at December 31, 2012	\$ 2,321	\$ 2,466	\$ 137	\$ 4,924

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.

7. Available-for-sale Financial Instruments

(in thousands)	2012	2011
Unquoted equity securities	\$ 15,511	\$ 6,802
Unquoted debt securities	82,462	45,287
Term deposits and short-term funds	7,989	9,290
Available-for-sale Financial Instruments	\$ 105,962	\$ 61,379
thereof current Afs financial instruments	\$ 90,451	\$ 54,577
thereof non-current Afs financial instruments	\$ 15,511	\$ 6,802

At December 31, 2012 and 2011, we had a total of cost-method investments in non-publicly traded companies with carrying amounts of \$15.5 million and \$6.8 million, respectively, which are included in non-current available for sale assets. These cost-

method investments do not have a quoted market price in an active market and are measured at cost in accordance with IAS 39 because their fair value cannot be reliably measured. Changes in fair value of these cost-method investments are identified when there are events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. For the year ended December 31, 2012, we recorded an impairment of a cost method investment of \$3.4 million in general and administrative, restructuring, integration and other expense.

At December 31, 2012 and 2011, we had €62.5 million (\$82.5 million as of December 31, 2012) and €35.0 million (\$45.3 million as of December 31, 2011), respectively, of loan note receivables due from financial institutions. These loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at fair market value, which is equal to the cost. These loans consist of €47.5 million which mature in 2013 and €15.0 million in 2014. All of these instruments include put option rights on at least a quarterly basis. Interest income is determined using the effective interest rate method. These loans are classified as current assets in the accompanying consolidated balance sheets since we may put the loans at our discretion.

At December 31, 2012 and 2011, we also had €6.1 million (\$8.0 million) and €7.2 million (\$9.3 million), respectively in term deposits with final maturities until December 2014. The deposits can be withdrawn at the end of each quarter without penalty.

For the year ended December 31, 2012 and 2011, proceeds from sales of short term investments totaled \$6.0 million and \$242.6 million, respectively. There were no realized gains or losses during 2012 or 2011.

Movements in available-for-sale financial assets were as follows:

(in thousands)	2012	2011
January, 1st	\$ 61,379	\$ 109,436
Unquoted equity securities acquired during the year	12,015	3,443
Disposals of equity securities during the year	(3,359)	—
Unquoted debt securities acquired during the year	39,942	186,817
Disposals of unquoted debt securities during the year	(5,999)	(242,630)
Translation	1,984	4,313
December 31st	\$ 105,962	\$ 61,379

8. Trade Accounts Receivable

(in thousands)	2012	2011
Trade accounts receivable	\$ 244,689	\$ 225,541
Provision for doubtful accounts	(5,221)	(4,315)
Notes receivable	11,261	9,544
Trade Accounts Receivable	<u>\$ 250,729</u>	<u>\$ 230,770</u>

The Group sells its products worldwide through sales subsidiaries and distributors. There is no concentration of credit risk with respect to trade accounts receivable as the Group has a large number of internationally dispersed customers. Trade accounts receivable are non-interest bearing and mostly have payment terms of 30-90 days.

The following table provides a breakdown of trade accounts receivable which are neither past due nor impaired and which are past due but not impaired:

(in thousands)	Carrying amount	Thereof neither past due nor impaired	Less than 30 days	Between 31 to 60 days	Between 61 to 90 days	More than 90 days
December 31, 2012						
Trade accounts receivable	<u>\$ 239,468</u>	\$ 118,672	\$ 52,152	\$ 16,686	\$ 18,140	\$ 33,818
December 31, 2011						
Trade accounts receivable	<u>\$ 221,226</u>	\$ 119,332	\$ 50,232	\$ 15,445	\$ 11,997	\$ 24,220

The notes receivable represent a written promise from customers to pay definite amounts of money on specific future dates.

The following table shows the development of allowances on trade accounts receivable:

(in thousands)	2012	2011
Provision for doubtful accounts as at January, 1st	\$ 4,315	\$ 3,227
Additions (recognized as expense)	1,048	2,131
Write-offs	(240)	(593)
Currency translation adjustments and other	98	(450)
Provision for doubtful accounts as at December 31st	<u>\$ 5,221</u>	<u>\$ 4,315</u>

All additions and write-offs relate to allowances for individual impairments.

9. Prepaid Expenses and Other Current Assets

(in thousands)	2012	2011
Prepaid expenses and other	\$ 16,443	\$ 17,841
Value added tax	10,221	9,909
Escrow in connection with acquisitions	7,521	7,026
Fair values of derivative financial instruments	833	6,147
Grant receivables	759	1,429
Current lease receivables	372	374
Prepaid Expenses and Other Current Assets	<u>\$ 36,149</u>	<u>\$ 42,726</u>

Please refer to Note 25 'Fair Value Measurements' for additional information on fair values of derivative financial instruments.

10. Property, Plant and Equipment

Cost (in thousands)	Land and buildings	Machinery and equipment	Furniture and office equipment	Leasehold improvements	Construction in progress	Total
January 1, 2011	\$219,940	\$ 157,994	\$ 75,029	\$ 29,055	\$ 59,377	\$ 541,395
Currency adjustments	(4,196)	(3,578)	(1,278)	(359)	(1,483)	(10,894)
Additions	12,674	15,333	6,019	1,750	41,914	77,690
Business combinations	—	2,753	1,423	1,387	—	5,563
Disposals	—	(76)	(9,222)	(344)	2,666	(6,976)
Transfers	28,868	4,375	4,975	2,454	(50,688)	(10,016)
December 31, 2011	<u>257,286</u>	<u>176,801</u>	<u>76,946</u>	<u>33,943</u>	<u>51,786</u>	<u>596,762</u>
Currency adjustments	3,371	3,060	869	738	714	8,752
Additions	1,980	40,760	2,762	1,853	67,051	114,406
Business combinations	—	4,649	1,093	5	—	5,747
Disposals	—	(17,256)	(5,628)	(2,103)	(5,500)	(30,487)
Transfers	1,122	6,759	4,436	898	(34,649)	(21,434)
December 31, 2012	<u>\$263,759</u>	<u>\$ 214,773</u>	<u>\$ 80,478</u>	<u>\$ 35,334</u>	<u>\$ 79,402</u>	<u>\$ 673,746</u>

Depreciation (in thousands)	Land and buildings	Machinery and equipment	Furniture and office equipment	Leasehold improvements	Construction in progress	Total
January 1, 2011	\$ (53,399)	\$ (95,992)	\$ (48,731)	\$ (19,332)	—	\$ (217,454)
Currency adjustments	1,281	2,941	1,183	373	—	5,778
Additions	(9,223)	(26,762)	(9,802)	(3,193)	—	(48,980)
Disposals	—	4,840	4,085	103	—	9,028
Transfers	(24)	378	(332)	14	—	36
December 31, 2011	<u>(61,365)</u>	<u>(114,595)</u>	<u>(53,597)</u>	<u>(22,035)</u>	<u>—</u>	<u>(251,592)</u>
Currency adjustments	(806)	(2,353)	(758)	(519)	—	(4,436)
Additions	(9,357)	(39,287)	(8,637)	(2,737)	—	(60,018)
Impairment losses	—	(1,532)	(511)	—	(5,500)	(7,543)
Disposals	—	14,938	5,509	1,433	5,500	27,380
Transfers	(55)	64	(6)	83	—	86
December 31, 2012	<u>(71,583)</u>	<u>(142,765)</u>	<u>(58,000)</u>	<u>(23,775)</u>	<u>—</u>	<u>(296,123)</u>
Net book value						
December 31, 2011	195,921	62,206	23,349	11,908	51,786	345,170
December 31, 2012	<u>\$ 192,176</u>	<u>\$ 72,008</u>	<u>\$ 22,478</u>	<u>\$ 11,559</u>	<u>\$ 79,402</u>	<u>\$ 377,623</u>

No property, plant and equipment were pledged as security against non-current financial debts at December 31, 2012 and 2011. The net carrying amount of property, plant and equipment under finance lease contracts amounts to \$5.4 million as of December 31, 2012 (2011: \$6.2 million).

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

For the year ended December 31, 2012, construction in progress includes amounts related to ongoing software development projects and the construction of new facilities in the United States. For the years ended December 31, 2012 and 2011, interest capitalized in connection with construction projects was not significant.

11. Investments in Associates and Joint Ventures

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

Amounts from Equity-Accounted Investments considered in the financial statements are as follows:

Shareholding	2012	2011
PreAnalytix GmbH, Germany	50.0%	50.0%
Pyrobett Pte Ltd, Singapore	19.0%	19.0%
QBM Cell Science Ltd, Canada	19.5%	19.5%
Dx Assays Pte Ltd, Singapore	33.3%	33.3%
Scandinavian Gene Synthesis AB	—	40.0%
Peak Service LLC	40.0%	40.0%

We have a 50% interest in a joint venture company, PreAnalytiX GmbH, for which each of the joint venture partners participates 50/50 in all decision making activities and therefore we are not the primary beneficiary. Thus, the investment is accounted for under the equity method. PreAnalytiX was formed to develop, manufacture and market integrated systems for the collection, stabilization and purification of nucleic acids for molecular diagnostic testing. At present, our maximum exposure to loss as a result of our involvement with PreAnalytiX is limited to our share of losses from the equity method investment itself. For further information on PreAnalytix reference is made to Note 24 'Related Party Transactions'.

During 2011, we paid \$9.7 million for a 40% share together with a \$6.7 million advance payment towards the potential future acquisition of the remaining 60% of Scandinavian Gene Synthesis AB (SGS). In 2012, we acquired the remaining shares for \$8.4

million and as of December 31, 2012 SGS is a wholly-owned subsidiary.

In 2010, we made a \$4.0 million investment in Pyrobett, a company located in Singapore which performs research and development activities related to the development of instruments for use in life sciences.

The below tables shows the changes in our equity-method investments in associates for the years ended December 31, 2012 and 2011:

(in thousands)	2012	2011
Investments in associates as at January 1st	\$ 35,647	\$ 19,640
Acquisition of shares	—	15,779
Reduction in investment in associates upon the full acquisition of Scandinavian Gene Synthesis AB	(15,714)	—
Share of profit / (loss)	1,726	196
Exchange rate differences	463	32
Investments in associates as at December 31st	<u>\$ 22,122</u>	<u>\$ 35,647</u>

As a QIAGEN representative has a board seat at QBM Cell Science, QIAGEN has significant influence on that company. Accordingly, the share in QBM Cell Science is recorded at equity in spite of the fact that QIAGEN's share is below 20%. The following overview reflects 100% of the assets and liabilities of the relating companies:

(in millions)	2012	2011
Total assets	\$ 53.0	\$ 52.0
Shareholders' equity	\$ 48.0	\$ 43.0
Net sales	\$ 15.0	\$ 21.0
Net result (Group's share)	\$ 2.0	\$ 1.9

12. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the years ended December 31, 2012 and 2011 are as follows:

(in thousands)	2012	2011
Goodwill as at January, 1 st	\$ 1,746,773	\$ 1,365,156
Goodwill acquired during the year	82,599	402,575
Earn-out and milestones payments	(36)	1,122
Purchase adjustments	(58,534)	615
Currency adjustments	13,111	(22,695)
Goodwill as at December 31 st	<u>\$ 1,783,913</u>	<u>\$ 1,746,773</u>

The changes in the carrying amount of goodwill during the year ended December 31, 2012 resulted from the 2012 acquisitions and purchase price adjustments primarily related to the 2011 acquisitions as discussed in Note 3, foreign currency translation, and changes in the fair value of contingent consideration as discussed in Note 25. During 2011, changes in goodwill resulted primarily from 2011 acquisitions and foreign currency translation. Accumulated goodwill impairment totaled \$1.6 million as of December 31, 2012 and 2011.

In the fourth quarter of 2012, we performed our annual impairment assessment of goodwill (using data as of October 1, 2012) in accordance with the provisions of IAS 36. No events or changes in circumstances indicated that the acquired goodwill might be impaired.

Management monitors and makes decisions regarding the Company's operations on a functional specific and global level. Therefore, we concluded that the goodwill impairment test needs to be performed on the level of the consolidated Group as a whole (one cash generating unit). In testing for potential impairment, we measured the estimated fair value of the cash generating unit based upon discounted future operating cash flows using a discount rate reflecting our estimated average cost of funds.

For impairment testing, the recoverable amount of goodwill allocated to the cash generating unit (higher of the cash generating unit's fair value less selling costs and its value in use) is compared to the carrying amount of the net assets employed (including goodwill) of the cash generating unit. Value in use is normally assumed to be higher than the fair value less selling costs; therefore, fair value less selling costs is only investigated when value in use is lower than the carrying amount of the cash generating unit.

Key assumptions used in the value in use calculations

The value in use is calculated based on estimated future cash flow projections expected to result from the use of the cash generating unit, discounted using an appropriate long-term pre-tax discount rate. The value in use calculations use cash flow projections based on financial budgets and models over the projection period (five years) as available for internal reporting purposes and in accordance with standard valuation practices. The growth rates used are based on industry growth forecasts for the projected period as well as for the subsequent period (long-term growth rate of 3%). The discount rates used are based on the weighted average cost of capital (2012: 8.70%; 2011: 8.40%) as calculated using the Black Scholes valuation model and verified by external analyst reports.

Sensitivity to changes in assumptions

Changes in assumptions used in projecting future operating cash flows and cost of funds could have a significant impact on the determination of impairment amounts. In estimating future cash flows, we used our internal budgets. Our budgets were based on recent sales data for existing products, planned timing of new product launches or capital projects, and customer commitments related to new and existing products. These budgets also included assumptions of future production volumes and pricing. The calculation of value in use is most sensitive to discount rates and growth rates used.

Discount rates reflect management's estimate of the risks profile for the respective valuation object. The growth rates used are based on industry growth forecasts for the projected period as well as for the subsequent period.

We concluded that no impairment existed. Even if our estimates of projected future cash flows were too high by 10%, there would be no impact on the reported value of goodwill at December 31, 2012. Due to the numerous variables associated with our judgments and assumptions relating to the valuation of the cash generating unit and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates are subject to uncertainty, and as additional information becomes known, we may change our estimates.

Other Intangible Assets

Cost (in thousands)	Technology rights and patents	Software licenses	Development costs	Other intellectual properties	Total
January 1, 2011	\$ 794,028	\$ 53,949	\$ 144,356	\$ 271,626	\$ 1,263,959
Currency adjustments	(6,671)	(1,061)	(1,735)	(1,957)	(11,424)
Additions	46,260	6,043	16,641	15,488	84,432
Business combinations	98,243	350	—	62,852	161,445
Disposals	(32,687)	(3,952)	(56,915)	(10,266)	(103,820)
Transfers	3,349	10,016	—	(3,349)	10,016
December 31, 2011	902,522	65,345	102,347	334,394	1,404,608
Currency adjustments	8,153	975	3,244	4,552	16,924
Additions	18,673	8,762	21,401	(4,204)	44,632
Business combinations	72,966	—	11,222	55,571	139,759
Disposals	(13,464)	(6,674)	(7,787)	—	(27,925)
Transfers	4,327	17,872	(1,700)	935	21,434
December 31, 2012	\$ 993,177	\$ 86,280	\$ 128,727	\$ 391,248	\$ 1,599,432

Amortization (in thousands)	Technology rights and patents	Software licenses	Development costs	Other intellectual properties	Total
January 1, 2011	\$ (246,222)	\$ (32,227)	\$ (45,502)	\$ (66,105)	\$ (390,056)
Currency adjustments	3,716	862	1,670	1,054	7,302
Additions	(86,688)	(7,776)	(13,537)	(26,790)	(134,791)
Impairment losses	(23,266)	—	(56,114)	(10,266)	(89,646)
Disposals	26,872	453	56,915	10,266	94,506
Transfers	184	(36)	—	(184)	(36)
December 31, 2011	<u>(325,404)</u>	<u>(38,724)</u>	<u>(56,568)</u>	<u>(92,025)</u>	<u>(512,721)</u>
Currency adjustments	(3,199)	(688)	(2,521)	(1,073)	(7,481)
Additions	(95,877)	(8,196)	(11,009)	(33,808)	(148,890)
Impairment losses	(1,958)	(4,033)	(5,569)	—	(11,560)
Disposals	13,454	6,667	7,787	—	27,908
Transfers	(539)	—	453	—	(86)
December 31, 2012	<u>(413,523)</u>	<u>(44,974)</u>	<u>(67,427)</u>	<u>(126,906)</u>	<u>(652,830)</u>
Net book value					
December 31, 2011	577,118	26,621	45,779	242,369	891,887
December 31, 2012	<u>\$ 579,654</u>	<u>\$ 41,306</u>	<u>\$ 61,300</u>	<u>\$ 264,342</u>	<u>\$ 946,602</u>

Amortization expense on intangible assets is included in the line items cost of sales, research and development expense, sales and marketing expense or general and administrative expense in the accompanying consolidated statements of income depending on the nature and use of the asset. In 2012, purchased intangibles amortization related to developed technology and patent and license rights acquired in a business combination is included in cost of sales in the amount of \$78.5 million (2011: \$70.2 million) and purchased intangibles amortization of trademarks and customer base acquired in a business combination is recorded in sales and marketing expense in the amount of \$37.8 million (2011: \$37.4 million).

Amortization of capitalized development costs have been recorded to research and development expense in the amount of \$11.0 million in 2012 (2011: \$13.6 million).

In 2012, we recorded impairment charges on capitalized development expenses for projects we will not continue of \$5.6 million (2011: \$48.6 million) and impairment charges on capitalized in-process research and development projects related to prior acquisitions of \$7.5 million in research and development expense.

13. Provisions

For the years ended December 31, 2012 and 2011, provisions as per the accompanying consolidated statements of financial position totaled \$5.6 million and \$5.1 million, respectively, and included amounts related to our warranty and acquisition related provisions.

Warranty provision

We provide warranties on our products against defects in materials and workmanship generally for a period of one year. A provision for estimated future warranty costs is recorded in cost of sales at the time product revenue is recognized. Product warranty obligations are included in provisions in the accompanying consolidated statement of financial position. The changes in the carrying amount of warranty obligations are as follows:

(in thousands)	2012	2011
Warranty obligation as at January 1st	\$ 3,910	\$ 3,440
Provision charged to income	4,631	4,376
Usage	(4,099)	(3,649)
Adjustments to previously provided amounts, net	(213)	(198)
Currency adjustments	134	(59)
Warranty obligation as at December 31st	<u>\$ 4,363</u>	<u>\$ 3,910</u>

Acquisition related cost

The provision for acquisition and related costs primarily relates to personnel, consulting and lease costs.

(in thousands)	2012	2011
Acquisition related costs as at January 1st	\$ 1,153	\$ 2,965
Provision charged to income	1,058	3,728
Usage	(806)	(5,574)
Currency adjustments and other	(132)	34
Acquisition related costs as at December 31st	<u>\$ 1,273</u>	<u>\$ 1,153</u>

For all provisions it is expected that the respective amounts will be utilized in the next financial year.

14. Other Current and Non-current Liabilities

Other current liabilities at December 31, 2012 and 2011 consist of the following:

(in thousands)	2012	2011
Payroll and related accrued liabilities	\$ 49,563	\$ 44,420
Royalties	17,600	25,659
Deferred revenue	27,296	23,793
Accrued expenses	63,111	81,439
Accrued earn-out and milestones payments	9,806	17,470
Pre-acquisition contingencies assumed in acquisition	5,493	6,203
Current finance lease obligations	4,203	4,006
Fair values of derivative financial instruments	12,911	2,492
Other current liabilities	<u>\$ 189,983</u>	<u>\$ 205,482</u>

Other non-current liabilities at December 31, 2012 and 2011 consist of the following:

(in thousands)	2012	2011
Non-current finance lease obligations	\$ 15,685	\$ 19,495
Accrued earn-out and milestones payments	9,176	22,292
Deferred revenue	21,319	10,908
Accrued expenses	11,559	11,080
Other non-current liabilities	<u>\$ 57,739</u>	<u>\$ 63,775</u>

15. Financial Debts

The credit facilities available at December 31, 2012 total €438.0 million (approximately \$577.9 million). This includes a €400.0 million syndicated multi-currency revolving credit facility expiring December 2016 of which no amounts were utilized at December 31, 2012, and four other lines of credit amounting to €38.0 million with no expiration date, none of which were utilized as of December 31, 2012. The €400.0 million facility can be utilized in euro, U.K pound or U.S. dollar and bears interest of 0.8% to 2.35% above three months EURIBOR, or LIBOR in relation to any loan not in euro, and is offered with interest periods of one, two, three, six or twelve months. The commitment fee is calculated based on 35% of the applicable margin. In 2012, \$1.1 million of commitment fees were paid. No commitment fees were paid in 2011. The revolving facility agreement contains certain financial and non-financial covenants, including but not limited to, restrictions on the encumbrance of assets and the maintenance of certain financial ratios. We were in compliance with these covenants at December 31, 2012. The credit facilities are for general corporate purposes.

At December 31, 2012, total long-term debt was approximately \$842.6 million, \$0.9 million of which is current. We believe that funds from operations, existing cash and cash equivalents, and availability of financing facilities as needed, will be sufficient to fund our debt repayments coming due in 2013.

(in thousands)	2012	2011
Revolving Credit Facility	\$ —	\$ 142,329
3.25% Convertible Note due 2024	145,000	145,797
1.5% Convertible Note due 2026	295,641	285,777
3.19% Series A Senior Notes due 2019	73,000	—
3.75% Series B Senior Notes due 2022	300,000	—
3.90% Series C Senior Notes due 2024	27,000	—
Other notes payable bearing interest up to 6.28% and due through 2015	1,992	2,622
Total current and non-current financial debts	<u>842,633</u>	<u>576,525</u>
Less: current portion of financial debts	948	145,963
Total non-current financial debts	<u>\$ 841,685</u>	<u>\$ 430,562</u>
Total amount secured	—	—
Unused lines of credit for short-term financing	577,900	383,800

The carrying amounts of current and non-current financial debts, excluding the convertible notes, approximate their fair values. The fair values are based on future cash flows using market rates of interests for borrowings with similar credit status and maturities.

Interest expense on non-current debt was \$28.5 million for the year ended December 31, 2012 (2011: \$34.8 million).

Breakdown by maturities for payments due for nominal amounts and future interest as of December 31, 2012 and 2011 is as follows:

As of December 31, 2012 (in thousands)	Carrying value	Loans (fixed and floating-rate)	Convertible notes (fixed-rate)	Total Cash out
2013	\$ 948	\$ 15,649	\$ 11,925	\$ 27,574
2014	396	15,080	11,925	27,005
2015	648	15,332	11,925	27,257
2016	—	14,632	11,925	26,557
2017	—	14,632	11,925	26,557
Thereafter	840,641	468,278	537,204	1,005,482
Total financial debts 2012	<u>\$ 842,633</u>	<u>\$ 543,603</u>	<u>\$ 596,829</u>	<u>\$ 1,140,432</u>

As of December 31, 2011 (in thousands)	Carrying value	Loans (fixed and floating-rate)	Convertible notes (fixed-rate)	Total Cash out
2012	\$ 143,947	\$ 144,237	\$ 11,925	\$ 156,162
2013	286,262	502	305,858	306,360
2014	145,797	—	146,378	146,378
2015	519	519	—	519
Thereafter	—	—	—	—
Total financial debts 2011	\$ 576,525	\$ 145,258	\$ 464,161	\$ 609,419

In October 2012, we completed a private placement through the issuance of new senior unsecured notes at a total amount of \$400 million with a weighted average interest rate of 3.66% (settled on October 16, 2012). The notes were issued in three series: (1) \$73 million 7-year term due in 2019 (3.19%); (2) \$300 million 10-year term due in 2022 (3.75%); and (3) \$27 million 12-year term due in 2024 (3.90%). We paid \$2.1 million in debt issue costs which will be amortized through interest expense over the lifetime of the notes. The note purchase agreement contains certain financial and non-financial covenants, including but not limited to, restrictions on priority indebtedness and the maintenance of certain financial ratios. We were in compliance with these covenants at December 31, 2012. The carrying values of these Senior Notes totaling \$400.0 million approximates fair value as of December 31, 2012 as neither the Treasury rates or credit spreads have changed significantly since the issuance date in October 2012.

Approximately €170 million (approximately \$220 million) of proceeds from the notes were used to repay amounts outstanding under our short-term revolving credit facility. The remainder of the proceeds provides additional resources to support QIAGEN's longer-term business expansion.

In August 2004, the Company completed the sale of \$150.0 million principal amount of 1.50% convertible unsubordinated notes (Notes) due 2024, through its subsidiary QIAGEN Finance (Luxembourg) S.A. Interest on the Notes is payable semi-annually in February and August. The Notes were issued at 100% of principal value, and are convertible into 11.5 million shares of common shares at the option of the holder upon the occurrence of certain events at a price of \$12.6449 per share, subject to adjustment. In November 2008, the Company issued 395,417 common shares upon the exercise of a portion of the subscription rights in connection with the conversion of \$5.0 million of the Notes. The Notes may be redeemed, in whole or in part, at QIAGEN's option on or after 7 years, at 100% of the principal amount provided the actual trading price of our common stock exceeds 120% of the conversion price for twenty consecutive trading days. In addition, the holders of the Notes may require QIAGEN to repurchase all or a portion of the outstanding Notes for 100% of the principal amount, plus accrued interest, on August 18, 2014 and 2019. Based on an estimation using available over-the-counter market information on the convertible bond issued by QIAGEN Finance (Luxembourg) S.A., the fair value of the Notes at December 31, 2012, was approximately \$209.7 million (2011: \$167.0 million). The effective interest rate of the Notes amounts to 1.5%. The Company has reserved 11.5 million shares of common stock for issuance in the event of conversion.

In May 2006, the Company completed the sale of \$300.0 million principal amount of 3.25% senior convertible notes (2006 Notes) due 2026, through its subsidiary QIAGEN Euro Finance (Luxembourg) S.A. 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 shares of common shares at the option of the holder upon the occurrence of certain events at a price of \$20.00 per share, subject to adjustment. The 2006 Notes cannot be called for the first 7 years and are callable thereafter subject to a provisional call trigger of 130% of the conversion price. In addition, the holders of the 2006 Notes may require QIAGEN to repurchase all or a portion of the outstanding Notes for 100% of the principal amount, plus accrued interest, on May 16, 2013, 2017 and 2022. Based on an estimation using available over-the-counter market information on the convertible bond issued by QIAGEN Euro Finance (Luxembourg) S.A., the fair value of the Notes at December 31, 2012, was approximately \$358.4 million (2011: \$311.6 million). The effective interest rate of the Notes amounts to 6.4%. The Company has reserved 15.0 million of common stock for issuance in the event of conversion.

17. Income Tax

Major components of income tax expense as presented in the income statement for the years ended December 31, 2012 and 2011, are:

(in thousands)	2012	2011
Current Income Tax	\$ 42,577	\$ 30,264
Current income tax charge	39,772	28,981
Adjustment in respect of current income tax of previous years	2,805	1,283
Deferred Income Tax	(31,526)	(59,463)
Relating to origination and reversal of temporary differences	(30,440)	(55,942)
Relating to changes in tax rates	(1,086)	(3,521)
Total Income Tax	\$ 11,051	\$ (29,199)

Deferred tax related to items charged or credited directly to equity during the year and shown in the statement of comprehensive income comprises:

(in thousands)	2012	2011
Net (loss) / gain on revaluation of cash flow hedges	\$ (324)	\$ (574)
Net (loss) / gain on foreign currency translation differences	475	(546)
Total Income Tax in Statement of Comprehensive Income	\$ 151	\$ (1,120)

The applicable statutory income tax rate in The Netherlands was 25.0% in 2012 and in 2011. A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended December 31, 2012 and 2011 is as follows:

(in thousands)	2012	2011
Income before Tax	\$ 137,273	\$ 12,853
At Dutch statutory income tax rate of 25.0%	34,318	3,213
Effect of tax rate differences	2,680	(4,547)
Income taxes related to prior years	2,805	(3,835)
Changes in tax rates impacting deferred taxes	(1,086)	(3,521)
Deferred taxes due to change in tax law	2,697	—
Income tax impact from permanent differences	4,854	5,989
Income tax impact from tax exempt income	(36,969)	(23,381)
Other	1,752	(3,117)
Total Income Tax	\$ 11,051	\$ (29,199)

We conduct business globally and, as a result, file numerous consolidated and separate income tax returns in the Netherlands, Germany, Switzerland and the U.S. federal jurisdiction, as well as in various other state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world. Tax years in the Netherlands are open since 2000 for income tax examinations by tax authorities. Our subsidiaries, with few exceptions, are no longer subject to income tax examinations by tax authorities for years before 2008. The U.S. consolidated group is subject to federal and most state income tax examinations by tax authorities beginning the year ending December 31, 2008 through the current period.

During 2011, the tax authorities audited the income tax returns of our German subsidiaries for the tax years 2006 through 2009. The outcome of the audit resulted in a current tax liability of \$5.3 million primarily related to the timing of certain deductions. As such, a deferred tax asset and deferred tax benefit was recorded that substantially offset the current year liability and expense. As a result of the audit being settled in 2011, the Company released \$2.3 million of tax reserves through income tax expense.

We have recorded net deferred tax liabilities of \$157.0 million and \$165.2 million at December 31, 2012 and 2011, respectively. The 2012 deferred tax balances as presented in the accompanying consolidated statements of financial position, net deferred tax positions within the same tax jurisdictions. The 2011 deferred tax balances as presented in the accompanying consolidated statements of financial position, do not net deferred tax positions within the same tax jurisdictions. If the 2011 deferred tax balances were net within the same tax jurisdictions, the balance sheet reclassification would result in a decrease to the non-current deferred tax assets and non-current deferred tax liabilities of \$86.6 million. Deferred taxes are reflected on the consolidated statement of financial position at December 31, 2012 and 2011 as follows:

(in thousands)	2012	2011
Deferred Tax Assets	8,238	94,127
Deferred Tax Liabilities	(165,259)	(259,286)
Net Deferred Tax Liabilities	<u>\$ (157,021)</u>	<u>\$ (165,159)</u>

The components of the net deferred tax liability at December 31, 2012 and December 31, 2011 are as follows:

(in thousands)	2012	2011	Change
Accrued liabilities	\$ 21,412	\$ 25,981	\$ (4,569)
Equity awards	14,181	25,339	(11,158)
Inventories	25,082	20,563	4,519
Tax credits	611	6,848	(6,237)
NOL carry forward	17,664	10,389	7,275
Currency revaluation	266	—	266
Intangibles	5,270	2,523	2,747
Finance lease	2,149	2,392	(243)
Allowance for bad debts	687	726	(39)
Depreciation and amortization	606	124	482
Other	10,056	2,395	7,661
Offsetting	(89,746)	(3,153)	(86,593)
Deferred Tax Asset	<u>8,238</u>	<u>94,127</u>	<u>(85,889)</u>
Intangibles	(237,712)	(233,083)	(4,629)
Bifurcation of convertible debt	(1,221)	(4,296)	3,075
Depreciation and amortization	(10,027)	(19,854)	9,827
Accrued liabilities	(552)	(65)	(487)
Currency revaluation	(746)	(546)	(200)
Inventories	(1,410)	(1,578)	168
Unremitted profits earnings	(1,215)	(1,175)	(40)
Allowance for bad debts	(600)	(471)	(129)
Other	(1,522)	(1,371)	(151)
Offsetting	89,746	3,153	86,593
Deferred Tax (Liability)	<u>\$ (165,259)</u>	<u>\$ (259,286)</u>	<u>\$ 94,027</u>
Net Deferred Tax Asset/ (Liability)	<u>\$ (157,021)</u>	<u>\$ (165,159)</u>	<u>\$ 8,138</u>

The movement in deferred income tax assets and liabilities during the year is as follows:

(in thousands)	2012	2011
Change in deferred tax recognized in income	\$ 31,526	\$ 59,463
Change in deferred tax related to business combinations	(17,280)	(54,500)
Change in deferred tax recognized in equity	(6,107)	4,338
Change in Deferred Tax	<u>\$ 8,139</u>	<u>\$ 9,301</u>

At December 31, 2012 and 2011, we had \$58.7 million and \$39.4 million in total foreign net operating losses. At December 31, 2012 and 2011, we had \$13.5 million and \$5.1 million of U.S. federal net operating loss (NOL) carryforwards. At December 31, 2012, the entire NOLs in the U.S. are subject to limitations under Section 382 of the Internal Revenue Code but all losses subject to IRC 382 limitation are expected to be utilized before they expire. The net operating losses in the U.S. will expire beginning December 31, 2021 through December 31, 2031. As of December 31, 2012 and 2011, we had other foreign NOL carryforwards totaling approximately \$45.2 million and \$34.3 million, respectively. These NOLs were primarily generated from acquisitions and operating losses from our subsidiaries. A portion of the foreign net operating losses will be expiring beginning December 31, 2013. The valuation allowance amounts for the years ended December 31, 2012 and 2011 are \$0.4 million and \$4.3 million, respectively. We had a release of the valuation allowance of \$3.9 million in 2012 as an adjustment to goodwill related to a deferred tax asset from a 2009 acquisition. In 2011, we had a decrease of valuation allowance of \$1.1 million from the deferred tax assets that were used to offset current tax liability.

As of December 31, 2012, a provision has not been made for residual Netherlands income taxes on the undistributed earnings of the majority of our foreign subsidiaries as these earnings are considered to be either permanently reinvested or can be repatriated tax free. These earnings retained by subsidiaries and equity accounted investments amounted to \$185.0 million at December 31, 2012. We have \$18.0 million of undistributed earnings that we do not consider permanently reinvested and have recorded deferred income taxes or withholding taxes at December 31, 2012 and December 31, 2011, of approximately \$1.2 million. There are no income tax consequences regarding payment of dividends to our shareholders. To date, we have never paid dividends.

18. Retained Earnings

At the Annual General Meeting of Shareholders on June 26, 2013, the Board of Directors will propose to carry forward the profit for the year of QIAGEN N.V., the holding company of the Group, which is determined in accordance with the legal provisions of the Dutch Civil Code.

19. Share Repurchase Program

In 2012, the Supervisory Board approved a program authorizing management to purchase up to a total of \$100 million of our common shares (excluding transaction costs). Through December 31, 2012, a total of 1.9 million QIAGEN shares were repurchased for approximately \$35.7 million, in total. We completed the share repurchase program on March 29, 2013. The cost of repurchased shares is included in treasury stock and reported as a reduction in total equity when a repurchase occurs. Repurchased shares will be held in treasury in order to satisfy various obligations, which include exchangeable debt instruments and employee share-based remuneration plans.

20. Earnings per Common Share

We present basic and diluted earnings per share. Basic earnings per share is calculated by dividing the net income attributable to the owners of QIAGEN N.V. by the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution that would occur if all “in the money” securities to issue common shares were exercised. In 2012 and 2011, the effect of the convertible bonds (discussed in Note 15) was excluded from calculating diluted earnings per share as it was antidilutive.

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

(in thousands, except per share data)	Years ended December 31,	
	2012	2011
Net income attributable to the owners of QIAGEN N.V.	\$ 126,191	\$ 43,141
Weighted average number of common shares used to compute basic net income per common share	235,582	233,850
Dilutive effect of stock options and awards	2,341	2,876
Weighted average number of common shares used to compute diluted net income per common share	237,923	236,726
Outstanding options and awards having no dilutive effect, not included in above calculation	2,906	3,995
Basic earnings per common share attributable to the owners of QIAGEN N.V.	\$ 0.54	\$ 0.18
Diluted earnings per common share attributable to the owners of QIAGEN N.V.	\$ 0.53	\$ 0.18

21. Commitments and Contingencies

Lease commitments

We lease facilities and equipment under operating lease arrangements expiring in various years through 2022. Certain rental commitments provide for escalating rental payments or have renewal options extending through various years. Certain facility and equipment leases constitute capital leases expiring in various years through 2018. The accompanying consolidated financial

statements include the assets and liabilities arising from these capital lease obligations. Rent expense under non-cancelable operating lease agreements was \$21.5 million in 2012 and \$20.3 million in 2011.

Minimum future obligations under finance and operating leases at December 31, 2012, are as follows:

(in thousands)	Finance Leases	Operating Leases
2013	\$ 5,396	\$ 16,309
2014	5,304	11,389
2015	5,290	9,834
2016	3,998	5,879
2017	1,429	3,234
Thereafter	1,429	7,809
Total minimum lease obligations at December 31, 2012	<u>22,846</u>	<u>\$ 54,454</u>
Less: amount representing interest	(2,958)	
Less: current portion	(4,203)	
Present value of minimum lease obligations at December 31, 2012	<u>\$ 15,685</u>	

The information for the comparative period is provided below:

(in thousands)	Finance Leases	Operating Leases
2012	\$ 5,384	\$ 15,879
2013	5,307	12,067
2014	5,196	9,316
2015	5,178	6,905
2016	3,922	4,763
Thereafter	2,802	3,018
Total minimum lease obligations at December 31, 2011	<u>27,789</u>	<u>\$ 51,948</u>
Less: amount representing interest	(4,287)	
Less: current portion	(4,006)	
Present value of minimum lease obligations at December 31, 2011	<u>\$ 19,496</u>	

Licensing and Purchase Commitments

We have licensing agreements with companies, universities and individuals, some of which require certain up-front payments. Royalty payments are required on net product sales ranging from one to 25 percent of covered products or based on quantities sold. Several of these agreements have minimum royalty requirements. The accompanying consolidated financial statements include accrued royalties relating to these agreements in the amount of \$17.6 million and \$25.7 million at December 31, 2012 and 2011, respectively. Royalty expense relating to these agreements amounted to \$52.5 million and \$43.3 million, for the years ended December 31, 2012 and 2011, respectively. Royalty expense is primarily recorded in cost of sales, with a small portion recorded as research and development expense depending on the use of the technology under license. Some of these agreements also have minimum raw material purchase requirements and requirements to perform specific types of research.

At December 31, 2012, we had commitments to purchase goods or services, and for future minimum guaranteed royalties. They are as follows:

(in thousands)	Purchase Commitments	Licensing Commitments
2013	\$ 54,754	\$ 9,224
2014	4,124	3,762
2015	1,339	1,773
2016	152	1,798
2017	—	1,799
Thereafter	—	2,905
Total licensing and purchase commitments at December 31, 2012	<u>\$ 60,369</u>	<u>\$ 21,261</u>

In 2013, we entered into agreements in connection with IT outsourcing arrangements. Under these agreements we could be

required to make additional payments up to \$10.2 million in 2013, \$8.2 million in 2014, \$7.8 million in 2015, \$7.0 million in 2016, \$7.2 million in 2017 and \$16.1 million thereafter.

The information for the comparative period is provided below:

(in thousands)	Purchase Commitments	Licensing Commitments
2012	\$ 54,686	\$ 1,600
2013	25,556	1,122
2014	496	1,222
2015	—	1,222
2016	—	1,222
Thereafter	—	3,388
Total licensing and purchase commitments at December 31, 2011	<u>\$ 80,738</u>	<u>\$ 9,776</u>

Contingent Consideration Commitments

Pursuant to the purchase agreements for certain acquisitions, as discussed in Note 5, we could be required to make additional contingent cash payments totaling up to \$134.2 million based on the achievement of certain revenue and operating results milestones as follows: \$18.9 million in 2013, \$23.4 million in 2014, \$16.3 million in 2015, \$17.5 million in 2016, \$7.0 million in 2017, and \$51.1 million, payable in any 12-month period from now until 2017 based on the accomplishment of certain revenue targets, the launch of certain products or the grant of certain patent rights. Of the \$134.2 million total contingent obligation, we have assessed the fair value at December 31, 2012 to be \$19.0 million where \$9.8 million and \$9.2 million are included in other current liabilities and other non-current liabilities, respectively.

Employment Agreements

Certain of our employment contracts contain provisions which guarantee the payments of certain amounts in the event of a change in control, as defined in the agreements, or if the executive is terminated for reasons other than cause, as defined in the agreements. At December 31, 2012, the commitment under these agreements totaled \$15.3 million (2011: 19.2 million).

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 as of December 31, 2012 and 2011 appropriately reflect the estimated cost of such warranty obligations.

Preacquisition Contingencies

In connection with certain acquisitions, amounts were paid into escrow accounts to cover preacquisition contingencies assumed in the acquisition. The escrow amounts expected to be claimed by QIAGEN are recorded as an asset in prepaid and other expenses and amount to \$7.5 million as of December 31, 2012 (\$7.0 million as of December 31, 2011). In addition, we have recorded \$5.5 million for preacquisition contingencies as a liability under accrued and other liabilities as of December 31, 2012 (\$6.2 million as of December 31, 2011).

Litigation

From time to time, we may be party to legal proceedings incidental to our business. As of December 31, 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, we assess the degree of probability and evaluate the reasonably possible losses that we could incur as a result of these matters. We accrue for any estimated loss when it is probable that a liability has been incurred and that the amount of the probable loss can be estimated. 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.

22. Share-Based Payments

We adopted the QIAGEN N.V. Amended and Restated 2005 Stock Plan (the Plan) in 2005. The Plan allows for the granting of stock rights and incentive stock options, as well as non-qualified options, stock grants and stock based awards, generally with terms of up to 10 years, subject to earlier termination in certain situations. Generally, options vest over a three-year period. The vesting and exercisability of certain stock rights will be accelerated in the event of a Change of Control, as defined in the Plan. To date all option grants have been at the market value on the grant date or at a premium above the closing market price on the grant date. The Company issues new common shares to satisfy option exercises and had approximately 19.8 million shares of common stock reserved and available for issuance under this plan at December 31, 2012.

In connection with the 2007 acquisition of Digene Corporation the Company assumed three additional equity incentive plans. No new grants will be made under these plans. The Company had approximately 0.1 million common stock reserved and available for issuance under these plans at December 31, 2012.

Stock Options

During the years ended December 31, 2012 and December 31, 2011, the Company granted 592,829 and 601,897 stock options, respectively. Following are the weighted-average assumptions used in valuing the stock options granted to employees for the years ended December 31:

	2012	2011
Stock price volatility	35%	34%
Risk-free interest rate	0.83%	1.88%
Expected life (in years)	5.94	4.97
Dividend rate	0%	0%
Forfeiture rate	5.9%	6.1%

A summary of the status of employee stock options as of December 31, 2012 and 2011, and changes during the years then ended is presented below:

	Stock Options (in thousands)	Weighted Average Exercise Price US\$
Outstanding at January 1, 2012	6,527	\$ 13.61
Granted	593	\$ 16.00
Exercised	(1,444)	\$ 11.53
Forfeited	(82)	\$ 18.90
Expired	(261)	\$ 17.64
Outstanding at December 31, 2012	5,333	\$ 14.16
Exercisable at December 31, 2012	4,252	\$ 13.18
Vested and expected to vest at December 31, 2012	5,257	\$ 14.12
Outstanding at January 1, 2011	7,332	\$ 13.86
Granted	602	\$ 19.86
Exercised	(655)	\$ 12.95
Forfeited	(62)	\$ 19.56
Expired	(690)	\$ 21.79
Outstanding at December 31, 2011	6,527	\$ 13.61
Exercisable at December 31, 2011	5,453	\$ 12.37
Vested and expected to vest at December 31, 2011	6,436	\$ 13.53

Generally, stock option grants are valued as a single award with a single average expected term and are amortized over the vesting period. The weighted-average grant-date fair value of options granted during the years ended December 31, 2012, and 2011 was \$5.37, and \$6.49, respectively. The total intrinsic value of options exercised during the years ended December 31, 2012 and 2011 was \$7.2 million and \$3.7 million, respectively. At December 31, 2012, the unrecognized share-based compensation expense related to employee stock option awards including estimated forfeitures is approximately \$3.5 million and will be recognized over a weighted average period of approximately 1.66 years.

At December 31, 2012, and 2011, options were exercisable with respect to 4.3 million and 5.5 million Common Shares at a weighted average price of \$13.18 and \$12.37 per share, respectively. The options outstanding at December 31, 2012 expire in various years through 2022.

Stock Units

Stock units represent rights to receive Common Shares at a future date and include restricted stock units which are subject to time-vesting only and performance stock units which include performance conditions in addition to time-vesting. There is no exercise price and the fair market value at the time of the grant is recognized over the requisite vesting period, generally 10 years. The fair market value is determined based on the number of restricted stock units granted and the market value of our shares on the grant date. Pre-vesting forfeitures were estimated to be approximately 7.1% (2011: 7.7%). At December 31, 2012, there was \$67.6 million remaining in unrecognized compensation cost including estimated forfeitures related to these awards, which is expected to be recognized over a weighted average period of 2.9 years (2011: \$61.1 million over a weighted average of 2.9 years). The weighted average grant date fair value of restricted stock units granted during the year ended December 31, 2012 was \$15.80 (2011: \$19.82). The total fair value of restricted stock units released during the years ended December 31, 2012 and 2011 was \$13.3 million and \$8.8 million, respectively.

A summary of stock units as of December 31, 2012 and 2011, and changes during the year then ended are presented below:

(in thousands)	2012	2011
Outstanding at January, 1 st	5,651	4,417
Granted	2,574	1,929
Released	(831)	(451)
Forfeited	(473)	(244)
Outstanding at December 31st	<u>6,921</u>	<u>5,651</u>
Vested and expected to vest at December 31st	<u>5,732</u>	<u>4,597</u>

Compensation Expense

Share-based compensation expense for the years ended December 31, 2012 and 2011 totaled approximately \$29.1 million and \$37.9 million, respectively as shown in the table below. No share-based compensation cost was capitalized in inventory in 2012 and 2011 as the amounts were not material.

(in thousands)	2012	2011
Cost of sales	\$ 2,859	\$ 3,125
Research and development	4,712	5,889
Sales and marketing	7,072	8,256
General and administrative	14,414	20,672
Share-based compensation expense before taxes	29,057	37,942
Income tax benefit	7,861	21,894
Net share-based compensation expense	<u>\$ 21,196</u>	<u>\$ 16,048</u>

23. Employee Benefits and Personnel Costs

We maintain various benefit plans, including defined contribution and defined benefit plans. Our U.S. defined contribution plan is qualified under Section 401(k) of the Internal Revenue Code, and covers substantially all U.S. employees. Participants may contribute a portion of their compensation not exceeding a limit set annually by the Internal Revenue Service. This plan includes a provision for us to match a portion of employee contributions. Total expense under the 401(k) plans, including the plans acquired via business acquisitions, was \$3.1 million and \$2.3 million for the years ended December 31, 2012 and 2011, respectively. We also have a defined contribution plan which covers certain executives. We make matching contributions up to an established maximum. Matching contributions made to the plan, and expensed, totaled approximately \$0.3 million in each year ended December 31, 2012 and 2011.

We have four defined benefit, non-contributory retirement or termination plans that cover certain employees in Germany, France, Japan and Italy. These defined benefit plans provide benefits to covered individuals satisfying certain age and service requirements. For certain plans, we calculate the vested benefits to which employees are entitled if they separate immediately. The benefits accrued on a pro-rata basis during the employees' employment period are based on the individuals' salaries, adjusted for inflation. The liability under the defined benefit plans was \$3.0 million at December 31, 2012 and \$2.9 million at December 31, 2011.

Personnel Costs

Personnel costs amounted to \$397.2 million in 2012 (2011: \$406.6 million). As of December 31, 2011, there were 3,999 employees within the Group (2011: 3,938).

(in thousands)	2012	2011
Salaries and wages	\$ 240,890	\$ 234,961
Social security	45,323	41,961
Share-based payment expense	29,057	37,942
Termination costs	4,049	21,290
Other	77,885	70,438
Personnel Costs	<u>\$ 397,204</u>	<u>\$ 406,592</u>

The personnel costs are allocated to the functional areas in which the respective employees are working or in the case of the incremental termination benefits which are the result of restructuring activities as discussed in Note 6 are recorded in cost of sales and general and administrative, restructuring, integration and other costs.

24. Related Party Transactions

During 2012 we entered into a development and license agreement with a company in which we also hold an interest. Under the terms of this agreement we will pay a total of \$7.7 million in 2013 and another \$2.0 million in total based on the achievement of certain milestones.

In 2011, we had a consulting agreement with Dr. Metin Colpan, our former Chief Executive Officer and current Supervisory Board member, pursuant to which Dr. Colpan is paid a fee of EUR 2,750 per day for consulting services, subject to adjustment. We incurred consulting expenses of approximately \$0.1 million as of December 31, 2011 for scientific consulting services under this agreement. In January 2012, the agreement under which Dr. Colpan provided scientific consulting services terminated.

From time to time, the Company has transactions with other companies in which the Company holds an interest all of which are individually and in the aggregate immaterial, as summarized in the table below:

(in thousands)	2012	2011
Net sales	\$ 7,068	\$ 6,287
Loans receivable	\$ 1,674	\$ 1,539
Accounts receivable	\$ 2,651	\$ 3,606
Accounts payable	\$ 3,699	\$ 4,642

Compensation of Directors and Officers

Total compensation for members of the Managing Board and Supervisory for the period ended December 31, 2012, amounts to \$16.7 million (2011: \$16.1 million) as shown in the table below. Total non-periodical remuneration according to Dutch Civil Code included in total compensation for the period ended December 31, 2012 was \$3.9 million (2011: \$ 4.3 million).

Remuneration of the Managing Board

The tables below state the amounts earned on an accrual basis by our Managing Board members in 2012 and 2011.

For the year ended December 31, 2012 (in US\$ thousands, except for number of option and award grants)	Peer M. Schatz	Roland Sackers	Dr. Joachim Schorr ⁽¹⁾	Bernd Uder ⁽²⁾
Fixed Salary	1,226	540	113	344
Other ⁽³⁾	5	34	635	20
Total fixed income 2012	1,231	574	748	364
Short-term variable cash bonus	168	60	—	85
Total short-term income 2012	1,399	634	748	449
Defined contribution on benefit plan	84	86	10	52
<i>Number of stock options granted 2012</i>	<i>134,109</i>	<i>44,945</i>	<i>—</i>	<i>19,549</i>
Related recognized compensation expense	339	113	—	49
<i>Number of restricted stock units granted 2012</i>	<i>465,181</i>	<i>155,901</i>	<i>—</i>	<i>45,207</i>
Related recognized compensation expense	1,449	485	—	106
<i>Number of performance stock units granted 2012</i>	<i>50,540</i>	<i>17,213</i>	<i>—</i>	<i>66,384</i>
Related recognized compensation expense	406	138	—	295

- (1) Dr. Joachim Schorr was a member of our Managing Board until April 30, 2012.
- (2) Bernd Uder was a member of our Managing Board until December 31, 2012.
- (3) Amounts include, among others, separation payments, inventor bonus and relocation costs. We also occasionally reimburse our Managing Directors' personal expenses related to attending out-of-town meetings but not directly related to their attendance. The value of such reimbursed personal expenses is reported above as "other." Amounts do not include the reimbursement of certain expenses relating to travel incurred at the request of QIAGEN, other reimbursements or payments that in total did not exceed \$10,000 or tax amounts paid by the Company to tax authorities in order to avoid double-taxation under multi-tax jurisdiction employment agreements.

For the year ended December 31, 2011 (in US\$ thousands, except for number of share grants and options)

	Peer M. Schatz	Roland Sackers	Dr. Joachim Schorr	Bernd Uder
Fixed Salary	1,305	576	366	370
Other	1	26	38	15
Total fixed income 2011	1,306	602	404	385
Short-term variable cash bonus	539	194	138	141
Total short-term income 2011	1,845	796	542	526
Defined contribution on benefit plan	91	93	35	57
<i>Number of stock options granted 2011</i>	<i>112,653</i>	<i>37,815</i>	<i>17,231</i>	<i>16,652</i>
Related recognized compensation expense	436	146	67	64
<i>Number of restricted stock units granted 2011</i>	<i>388,427</i>	<i>130,385</i>	<i>29,705</i>	<i>28,708</i>
Related recognized compensation expense	1,606	539	123	119

Remuneration of the Supervisory Board

The following table summarizes the total compensation paid to the members of the Supervisory Board in 2012 and 2011:

For the year ended December 31, 2012 (in US\$ thousands, except for number of share grants and options)

	Prof. Dr. Detlev Riesner	Dr. Werner Brandt	Dr. Metin Colpan	Erik Hornnaess	Prof. Dr. Manfred Karobath	Heino von Prondzynski	Elizabeth E. Tallett
Short-term compensation 2012							
Fixed remuneration	38.5	38.5	38.5	38.5	38.5	38.5	38.5
Chairman / vice chairman committee	25.7	19.3	—	19.3	—	—	—
Meeting attendance	6.5	6.5	6.5	6.5	6.5	5.0	5.0
Committee membership	—	—	—	9.5	6.5	—	16.0
Subcommittee meeting attendance	3.8	—	3.8	—	2.5	2.5	—
Variable cash bonus	6.5	6.5	6.5	6.5	6.5	6.5	6.5
	81.0	70.8	55.3	80.3	60.5	52.5	66.0
Long-term compensation 2012							
<i>Number of stock options granted</i>	<i>1,563</i>	<i>1,563</i>	<i>1,563</i>	<i>1,563</i>	<i>1,563</i>	<i>1,563</i>	<i>1,563</i>
Related recognized compensation expense	4	4	4	4	4	4	4
<i>Number of restricted stock units granted</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
Related recognized compensation expense	25	25	25	25	25	25	25

For the year ended December 31, 2011 (in US\$ thousands, except for number of share grants and options)

	Prof. Dr. Detlev Riesner	Dr. Werner Brandt	Dr. Metin Colpan	Erik Hornnaess	Prof. Dr. Manfred Karobath	Heino von Prondzynski	Elizabeth E. Tallett	Dr. Vera Kallmeyer
Short-term compensation 2011								
Fixed remuneration	42.0	42.0	42.0	42.0	42.0	42.0	21.0	14.0
Chairman / vice chairman	28.0	21.0	—	21.0	—	—	—	—
Meeting attendance	8.4	7.0	7.0	7.0	7.0	5.6	4.2	2.8
Committee membership	—	—	—	10.5	7.0	6.1	5.3	3.5
Subcommittee meeting	4.2	—	4.2	—	4.2	4.2	—	1.4
Variable cash bonus	7.0	7.0	7.0	7.0	7.0	7.0	3.5	2.3
	89.6	77.0	60.2	87.5	67.2	64.9	34.0	24.0
Long-term compensation 2011								
<i>Number of stock options granted</i>	1,355	1,355	1,355	1,355	1,355	1,355	—	—
Related recognized compensation	5.6	5.6	5.6	5.6	5.6	5.6	—	—
<i>Number of restricted stock units</i>	4,671	4,671	4,671	4,671	4,671	4,671	—	—
Related recognized compensation	19.5	19.5	19.5	19.5	19.5	19.5	—	—

Supervisory Board and Managing Board members' interests in QIAGEN N.V. shares

Members of the Supervisory Board and of the Board of Management are not allowed to hold any interests in derivative QIAGEN N.V. securities.

The following table sets forth certain information as of January 27, 2013 concerning the ownership of Common Shares by our directors and officers. In preparing the following table, we have relied on information furnished by such persons.

<u>Name and Country of Residence</u>	<u>Shares Beneficially Owned Number</u>	<u>Percent Ownership</u>
Peer M. Schatz, Germany	1,771,128	0.75%
Prof. Dr. Detlev H. Riesner, Germany	1,654,993	0.70%
Dr. Werner Brandt, Germany	8,377	*
Dr. Metin Colpan, Germany	4,540,961	1.92%
Erik Hornnaess, Spain	14,180	*
Professor Dr. Manfred Karobath, Austria	9,015	*
Heino von Prondzynski, Switzerland	2,377	*

* Indicates that the person beneficially owns less than 0.5% of the Common Shares issued and outstanding as of January 27, 2013.

25. Fair Value Measurements

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

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

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

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

Our assets and liabilities measured at fair value on a recurring basis consist of current available for sale financial assets, which are classified in Level 1 and Level 2 of the fair value hierarchy, derivative contracts 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 reflect any change in the accrual in the condensed consolidated statement of income in the line items commensurate with the underlying nature of milestone arrangements.

As of December 31, 2012, the Group held the following financial instruments carried at fair value on the statement of financial position:

(in thousands)	2012	Level 1	Level 2	Level 3
Available-for-sale financial assets, current	\$ 90,451	\$ 7,989	\$ 82,462	\$ —
Foreign exchange contracts, designated	—	—	—	—
Foreign exchange contracts, undesignated	833	—	833	—
Assets	\$ 91,284	\$ 7,989	\$ 83,295	\$ —
Foreign exchange contracts, designated	\$ —	\$ —	\$ —	\$ —
Foreign exchange contracts, undesignated	12,911	—	12,911	—
Contingent consideration	18,983	—	—	18,983
Liabilities	\$ 31,894	\$ —	\$ 12,911	\$ 18,983

As of December 31, 2011, the Group held the following financial instruments carried at fair value on the statement of financial position:

(in thousands)	2011	Level 1	Level 2	Level 3
Available-for-sale financial assets	\$ 54,577	\$ 9,290	\$ 45,287	\$ —
Foreign exchange contracts, designated	658	—	658	—
Foreign exchange contracts, undesignated	5,489	—	5,489	—
Assets	\$ 60,724	\$ 9,290	\$ 51,434	\$ —
Foreign exchange contracts, designated	\$ 1,723	\$ —	\$ 1,723	\$ —
Foreign exchange contracts, undesignated	769	—	769	—
Contingent consideration	38,646	—	—	38,646
Liabilities	\$ 41,138	\$ —	\$ 2,492	\$ 38,646

For liabilities with Level 3 inputs, the following table summarizes the activity as of December 31, 2012 and 2011:

Fair Value Measurements Using Significant Unobservable Inputs (Level3) Contingent Consideration (in thousands) (unaudited)	2012	2011
Beginning balance as at January 1 st	\$ 38,646	\$ 22,510
Additions from acquisitions	16,875	24,885
Payments	(6,008)	(9,065)
Loss (gain) included in earnings	(11,463)	253
Reversals	(19,129)	—
Currency adjustments	62	63
Acquisition related costs as at December 31st	\$ 18,983	\$ 38,646

For the year ended December 31, 2012, the gain of \$11.5 million was recognized in earnings as follows: \$6.7 million in cost of sales and \$4.8 million in general and administrative, restructuring, integration and other. During 2012, a reduction in the fair value of contingent consideration of \$19.1 million was recorded against goodwill shortly after the acquisition and during the measurement period.

26. Financial Risk Factors and Use of Derivative Financial Instruments

26.1. Financial Risks

Market risk

The Group is exposed to market risk primarily related to foreign currency exchange rates, interest rates and the market value of investments in financial assets and equity securities. These exposures are centrally managed and are regulated by internal guidelines which require a continuous internal risk analysis. The overall objective of our risk management is to reduce the potential negative earnings effects from changes in interest and foreign exchange rates. Exposures are managed through operational methods and financial instruments relating to interest rate and foreign exchange risks. 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. All derivatives are recognized as either assets or liabilities in the balance sheet and are measured at fair value with any change in fair value recognized in earnings in the period of change, unless the derivative qualifies as an effective hedge that offsets certain exposures. In determining fair value, we consider both the counterparty credit risk and our own creditworthiness.

Foreign currency exchange rates

The Group presents its consolidated financial statements in U.S. dollar. As a consequence of the global nature of QIAGEN's business, the Group is exposed to foreign currency exchange rate movements, primarily in European and Asian countries. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. To manage such foreign exchange risk the, entities of the group use FX swaps and forwards, FX options and cross-currency swaps, transacted exclusively by Global Treasury. Net investments in QIAGEN affiliates with a functional currency other than the U.S. dollar are of long-term nature and the Group does not hedge such foreign currency translation exposures.

A significant portion of our revenues and expenses are earned and incurred in currencies other than the U.S. dollar. The euro is the most significant such currency, with others including the British pound, Japanese yen, Swiss franc, and Canadian and Australian dollars. Fluctuations in the value of the currencies in which we conduct our business relative to the U.S. dollar have caused and will continue to cause U.S. dollar translations of such currencies to vary from one period to another. Due to the number of currencies involved, the constantly changing currency exposures, and the potential substantial volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations upon future operating results. In general terms, depreciation of the U.S. dollar against our other foreign currencies will increase reported net sales. However, this effect is, at least partially, offset by the fact, that we also incur substantial expenses in foreign currencies.

We have significant production and manufacturing facilities located in Germany, Switzerland, China, the United Kingdom and the United States, and intercompany sales of inventory also expose us to foreign currency exchange rate risk. Intercompany sales of inventory are generally denominated in the local currency of the subsidiary purchasing the inventory in order to centralize foreign currency risk with the manufacturing subsidiary. Payment for intercompany purchases of inventory is required within 30 days from invoice date. The delay between the date the manufacturing subsidiaries record revenue and the date when the payment is received from the purchasing subsidiaries exposes us to foreign exchange risk. To the extent practicable, such exposures are offset by operational measures, which include intercompany factoring transactions. We have entered into in the past, and may enter into in the future, foreign exchange derivatives, including forward contracts and options, to manage the remaining foreign exchange risk.

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which QIAGEN has financial instruments.

QIAGEN is exposed to currency risks from financial derivatives. If each of the respective currency pairs for which the Group has financial derivatives in place, which do not qualify for hedge accounting in accordance with IAS 39, varied from the rates used for the preparation of the consolidated financial statements, this would have had an effect on the net income of the Group. If, at December 31, 2012, the US dollar had gained or lost 10 % against all identified major currencies, the estimated effect would have been approximately \$51.4 million gain or \$62.8 million loss, respectively (2011: \$22.6 million gain or \$17.2 million loss). Any

effect would have been almost fully off-set by corresponding valuation adjustments in the positions, which economically had been hedged by these financial derivatives. Accordingly, the net effect of such variance in currency rates would not have been material.

Interest rates

The Group is exposed to interest rate risk by floating rate financial debt and floating rate financial assets. This exposure is managed by varying the proportion of fixed and floating rate debt, while all non-derivative financial assets pay interest on floating rates. Net financial income earned on the Group's net financial assets is generally affected by changes in the level of interest rates, principally the Euro and the U.S. dollar interest rate.

At December 31, 2012, we had \$394.7 million in cash and cash equivalents (2011: \$221.6 million). Interest income earned on our cash investments is affected by changes in the relative levels of market interest rates. We only invest in high-grade investment securities. A hypothetical adverse 10% movement in market interest rates would not materially impact earnings.

Borrowings against lines of credit are at variable interest rates. We had insignificant amounts outstanding against our lines of credit at December 31, 2012 and 2011. A hypothetical adverse 10% movement in market interest rates would not have materially impacted our financial statements.

At December 31, 2012, we had \$842.6 million in current and non-current debt (2011: \$576.5 million). A hypothetical adverse 10% movement in market interest rates would not have materially impacted our financial statements.

Liquidity risk

To date, we have funded our business primarily through internally generated funds, debt and the private and public sales of equity. Our primary use of cash has been to support continuing operations and our capital expenditure requirements including acquisitions. As of December 31, 2012 and 2011, we had cash and cash equivalents of \$394.7 million and \$221.6 million, respectively, and investments in current marketable securities of \$90.5 million and 54.6 million, respectively. Cash and cash equivalents are primarily held in Euros and U.S. dollars, other than those cash balances maintained in the local currency of subsidiaries to meet local working capital needs. As of December 31, 2012 and 2011, we had working capital of \$683.7 million and \$253.2 million, respectively.

In December 2011, we entered into a €400.0 million syndicated multi-currency revolving credit facility expiring December 2016 of which no amounts were utilized at December 31, 2012. We have additional credit lines totaling €38.0 million with no expiration date, none of which was utilized as of December 31, 2012. We also have finance lease obligations, including interest, in the amount of \$22.8 million (2011: \$27.8 million), and repayment obligations of \$842.6 million for long-term debt (2011: \$576.5 million).

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 to 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.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all new customers. There were no significant concentrations of credit risk during the reporting period. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Counterparty risk

We define counterparty risk as the part of credit risk that results from financial transactions. It includes the credit risk that arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions and furthermore the issuer risk on debt securities, settlement risk on derivative and money market transactions. Counterparty risk is managed by dealing only with entities that have been approved internally by the CFO and the continuous monitoring of the counterparties credit standing as evidenced by public credit ratings, share prices and credit default swap levels. We believe that all of our counterparties represent a good credit risk and we therefore do not expect any losses due to non-performance by these counterparties.

Fair values

The carrying amounts of financial assets and financial liabilities currently approximate their fair values. Investments in unquoted equity instruments are measured at cost as their fair values cannot be measured reliably due to the lack of reliable information needed for the determination of the fair values. However, it is estimated that the carrying amounts of these investment approximate their fair values. Fair values of different classes of financial assets and financial liabilities are determined based on exchanges of assets and settlements of liabilities in past transactions.

Equity prices

The Group is exposed to equity price risks on the marketable portion of the available-for-sale equity securities. Equity securities typically relate to other biotechnology and research companies. Equity securities are not purchased as part of the normal day-to-day management of financial assets but must be authorized by the Board of Directors.

At December 31, 2012, the Company had investments in current available-for-sale debt securities which had a fair market value and cost of approximately \$90.5 million (2011: \$54.6 million).

Commodities

The Group has exposures to price risk related to anticipated purchases of certain commodities used as raw materials in its business. A change in commodity prices may alter the gross margin, but due to the limited exposure to any single raw material, a price change is unlikely to have a material unforeseen impact on the Group's earnings.

26.2. Use of Derivative Financial Instruments

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 balance sheet on a gross basis measure those instruments at fair value and recognize the change in fair value in earnings in the period of change, unless the derivative qualifies as an effective hedge that offsets certain exposures. We do not offset the fair value of derivative instruments with cash collateral held or received from the same counterparty under a master netting arrangement.

As of December 31, 2011, all derivatives that qualified 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 earnings and did not discontinue any cash-flow hedges. The cash flows derived from derivatives, including those that are not designated as hedges, are classified in the operating section of the consolidated statements of cash flows, in the same category as the consolidated statements of financial position.

Foreign Currency Derivatives

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

In addition, the Company was party to cross-currency swaps which qualified as cash-flow hedges with a notional amount of \$120.0 million as of December 31, 2011, which matured in November 2012 and had fair market values of \$0.7 million included in prepaid and other assets and \$1.7 million included in other current liabilities as of December 31, 2011 in the accompanying consolidated statements of financial position.

Undesignated Derivative Instruments

We are party to various foreign exchange forward and swap arrangements which had, at December 31, 2012, an aggregate notional value of approximately \$574.5 million and fair values of \$0.8 million and \$12.9 million, which are included in other current assets and other current liabilities, respectively, and which expire at various dates through April 2013. The transactions have been entered into to offset the effects from short-term balance sheet exposure to foreign currency exchange risk. Changes in the fair value of these arrangements have been recognized in financial income (expense).

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 have been used to offset the effects from short-term balance sheet exposure to foreign currency exchange risk. Changes in the fair value of these arrangements have been recognized in financial income (expense).

Interest Rate Derivatives

We have used interest rate derivative contracts on certain borrowing transactions to hedge fluctuating interest rates. We previously entered into interest rate swaps in which we agreed to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. These interest rate derivatives matured in 2011.

27. Additional Information for Financial Instruments

Carrying Amounts, Measurement in Accordance with IAS 39 and Fair Values:

December 31, 2012 (US\$ thousands)	Category	Carrying amount	Amortized cost	Cost	At Fair Value
Assets					
Cash and cash equivalents	LaR	394,702	394,702	—	—
Available-for-sale assets	AfS	105,962	—	15,511	90,451
Trade accounts receivable	LaR	250,729	250,729	—	—
Derivatives, undesignated	FVTPL	833	—	—	833
Liabilities					
Financial debts	FLAC	(842,633)	(842,633)	—	—
Finance lease obligations	N/A	(19,888)	(19,888)	—	—
Trade accounts payable	FLAC	(51,311)	(51,311)	—	—
Derivatives, undesignated	FVTPL	(12,911)	—	—	(12,911)
Contingent consideration	FVTPL	(18,983)	—	—	(18,983)
Aggregated by category					
Loans and Receivables (LaR)		645,431	645,431	—	—
Available-for-Sales Financial Assets (AfS)		105,962	—	15,511	90,451
Financial Liabilities measured at Amortized Cost (FLAC)		(893,944)	(893,944)	—	—
Instruments at fair value through profit or loss (FVTPL)		(31,061)	—	—	(31,061)

December 31, 2011 (US\$ thousands)	Category	Carrying amount	Amortized cost	Cost	At Fair Value
Assets					
Cash and cash equivalents	LaR	221,598	221,598	—	—
Available-for-sale assets	AfS	61,379	—	6,802	54,577
Trade accounts receivable	LaR	230,770	230,770	—	—
Derivatives in effective hedges	N/A	658	—	—	658
Derivatives, undesignated	FVTPL	5,489	—	—	5,489
Liabilities					
Financial debts	FLAC	(576,525)	(576,525)	—	—
Finance lease obligations	N/A	(23,501)	(23,501)	—	—
Trade accounts payable	FLAC	(59,848)	(59,848)	—	—
Derivatives in effective hedges	N/A	(1,723)	—	—	(1,723)
Derivatives, undesignated	FVTPL	(769)	—	—	(769)
Contingent consideration	FVTPL	(38,646)	—	—	(38,646)
Aggregated by category					
Loans and receivables (LaR)		452,368	452,368	—	—
Available-for-sales financial assets (AfS)		61,379	—	6,802	54,577
Financial liabilities measured at amortized cost (FLAC)		(636,373)	(636,373)	—	—
Instruments at fair value through profit or loss (FVTPL)		(33,926)	—	—	(33,926)

Cash and cash equivalents, notes receivable, trade accounts receivable and other assets mainly have short times to maturity. For this reason, their carrying amounts at the reporting date approximate the fair values.

Investments in unquoted equity instruments shown as available-for-sale assets are measured at cost as their fair values cannot be measured reliably due to the lack of reliable information needed for the determination of the fair values. However, it is estimated that the carrying amounts of these investment approximate their fair values.

The fair values of other non-current assets correspond to the present values of the payments related to the assets, taking into account the current interest rate parameters that reflect market and partner-based changes to terms and conditions and expectations.

Trade accounts payable generally have short times to maturity; the value reported approximates the fair value.

The fair values of the quoted financial debts equal the nominal amounts multiplied by the price quotations at the reporting date. The fair values of other financial liabilities are calculated as the present values of the payments associated with the liabilities.

As of December 31, 2012 and 2011, fair values of financial debts amount to \$970.1 million and \$623.6 million, respectively. The carrying amounts of all other financial assets and financial liabilities approximate their fair values.

As of December 31, 2012 and 2011, there are no significant concentrations of risks arising from financial instruments.

(in US\$ thousands)	December 31, 2012		December 31, 2011	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets				
Cash and cash equivalents	394,702	394,702	221,598	221,598
Available-for-sale assets	105,962	105,962	61,379	61,379
Trade accounts receivable	250,729	250,729	230,770	230,770
Derivatives in effective hedges	—	—	658	658
Derivatives measured at fair value through profit or loss	833	833	5,489	5,489
Financial liabilities				
Financial debts	(842,633)	(970,084)	(576,525)	(623,575)
Finance lease obligations	(19,888)	(19,888)	(23,501)	(23,501)
Trade accounts payable	(51,311)	(51,311)	(59,848)	(59,848)
Contingent consideration	(18,983)	(18,983)	(38,646)	(38,646)
Derivatives in effective hedges	—	—	(1,723)	(1,723)
Derivatives measured at fair value through profit or loss	(12,911)	(12,911)	(769)	(1,427)

Net Results by Category

December 31, 2012 (in thousands)	From interest	Subsequent Measurement		De-recognition	Net result
		At fair value	Allowances / Impairments		
Loans and receivables (LaR)	\$ 3,786	\$ —	\$ —	\$ —	\$ 3,786
Available-for-sales financial assets (AfS)	—	—	(3,359)	—	(3,359)
Financial liabilities measured at amortized cost (FLAC)	(32,491)	—	—	—	(32,491)
Net result	\$ (28,705)	\$ —	\$ (3,359)	\$ —	\$ (32,064)

Interest from financial instruments is recognized in financial expense.

The Company recognizes the other components of net gain/loss in other financial income/expense, except for impairments of trade receivables that are classified as “loans and receivables” which are reported under General and administrative, integration and other expense.

The information for the comparative period is provided below:

December 31, 2011

(in thousands)	From interest	Subsequent Measurement			Net result
		At fair value	Allowances / Impairments	De-recognition	
Loans and receivables (LaR)	\$ 6,472	\$ —	\$ —	\$ —	\$ 6,472
Available-for-sales financial assets (AfS)	—	—	—	—	—
Financial liabilities measured at amortized cost (FLAC)	(34,740)	—	—	—	(34,740)
Net result	\$ (28,268)	\$ —	\$ —	\$ —	\$ (28,268)

28. Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to ensure financial flexibility to execute the Group's strategic growth targets. We regularly review our capital structure to ensure a low cost of capital to enhance shareholder value. The Group's overall strategy remains unchanged from 2011 and we are not subject to any externally imposed capital requirements.

In October 2012, we completed a private placement through the issuance of new senior unsecured notes at a total amount of \$400 million as discussed in Note 15. Approximately €170 million (approximately \$220 million) of proceeds from the notes were used to repay amounts outstanding under our short-term revolving credit facility. The remainder of the proceeds provides additional resources to support QIAGEN's longer-term business expansion. Additionally during 2012 we commenced a \$100 million share repurchase program as discussed in Note 19. Repurchased shares will be held in treasury in order to satisfy various obligations, which include exchangeable debt instruments and employee share-based remuneration plans.

An important indicator of capital management efforts is the ratio of shareholders' equity compared to total assets as shown in the consolidated statement of financial position:

(in thousands, except of ratio)	2012	2011
Shareholders' equity attributable to equity holders of the parent	\$ 2,784,431	\$ 2,623,317
Total Assets	\$ 4,121,530	\$ 3,834,154
Shareholders' equity ratio in %	68%	68%

29. Subsequent Event

Since December 31, 2012 and through March 29, 2013, we have repurchased 3.1 million shares of common shares under the share repurchase program discussed more fully in Note 19, for approximately \$63.3 million, in total.

30. Consolidated Companies

The following is a list of the Company's subsidiaries as of December 31, 2012, other than certain subsidiaries that did not in the aggregate constitute a significant subsidiary:

Company	Country	Ownership
AmniSure International LLC	USA	100%
Cellectis Limited	Australia	100%
Cellectis Inc.	USA	100%
Corbett Research Pty. Ltd.	Australia	100%
Corbett Robotics Pty. Ltd.	Australia	100%
Intelligent BioSystem, Inc.	USA	100%
Ipsogen SA	France	89.4%
QIAGEN Australia Holding	Australia	100%
QIAGEN AB	Sweden	100%
QIAGEN Inc. (Canada)	Canada	100%
QIAGEN Deutschland Holding GmbH	Germany	100%
QIAGEN Gaithersburg, Inc.	USA	100%
QIAGEN GmbH	Germany	100%
QIAGEN Hamburg GmbH	Germany	100%
QIAGEN, U.S. Finance Holdings	Luxemburg	100%
QIAGEN, Finance (MALTA) Ltd	Malta	100%
QIAGEN, Inc. (USA)	USA	100%
QIAGEN Instruments AG	Switzerland	100%
QIAGEN K.K.	Japan	100%
QIAGEN Lake Constance GmbH	Germany	100%
QIAGEN Ltd.	UK	100%
QIAGEN Manchester Ltd.	UK	100%
QIAGEN Mexico	Mexico	100%
QIAGEN North American Holding Inc.	USA	100%
QIAGEN Pty. Ltd.	Australia	100%
QIAGEN SAS	France	100%
QIAGEN Sciences LLC	USA	100%
QIAGEN Shenzhen Co. Ltd.	China	100%
QIAGEN SpA	Italy	100%
Quanta Biosciences, Inc.	USA	100%
SA Biosciences	USA	100%

31. Fees Paid to External Auditors

The service fees recognized in the consolidated financial statements 2012 and 2011 for the Ernst & Young network are as follows:

(in thousands)	2012	2011
Audit fees	\$ 1,211	\$ 906
Audit related fees	739	372
Tax fees	560	158
All other fees	1,398	233
Total	\$ 3,908	\$ 1,669

Signatures

Venlo, the Netherlands,

April 26, 2013

Peer M. Schatz
Chief Executive Officer

Roland Sackers
Chief Financial Officer

QIAGEN N.V.
COMPANY FINANCIAL STATEMENTS

QIAGEN N.V.
COMPANY FINANCIAL STATEMENTS
(in thousands)

	Note	December 31, 2012	December 31, 2011
STATEMENTS OF FINANCIAL POSITION			
Assets			
Other intangible assets	(2)	\$ 617	\$ 767
Goodwill	(3)	131,959	146,862
Office equipment	(4)	609	635
Non-current available-for-sale financial instruments	(5)	11,458	6,802
Financial assets	(6)	2,365,368	2,143,141
Total non-current assets		2,510,011	2,298,207
Prepaid expenses and other current assets		7,443	10,005
Receivables from Group Companies		447,526	364,166
Current available-for-sale financial instruments	(5)	82,463	45,287
Cash and cash equivalents		166,026	72,133
Total current assets		703,458	491,591
Total assets		3,213,469	2,789,798
Shareholder's equity and liabilities			
Common shares	(7)	3,041	3,260
Share premium		1,884,547	1,842,648
Retained earnings	(9)	706,403	679,307
Net income for the period		126,191	43,141
Legal reserves		51,061	34,254
Cumulative foreign currency translation adjustments		48,843	20,709
Treasury shares		(35,653)	—
Total shareholder's equity		2,784,433	2,623,319
Payables to Group Companies		9,588	3,168
Accrued liabilities		418,614	162,760
Trade accounts payable		834	551
Total liabilities		429,036	166,479
Total shareholders' equity and liabilities		\$ 3,213,469	\$ 2,789,798
INCOME STATEMENTS			
Net income from investments (after tax)		\$ 151,093	\$ 30,728
Other income (after tax)		(24,902)	12,413
Net income for the period		\$ 126,191	\$ 43,141

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

QIAGEN N.V.
COMPANY FINANCIAL STATEMENTS
(in thousands)

**Statements of
Changes in Equity**

for the year ended December 31, 2011	Common shares		Share premium	Retained earnings	Net Income	Legal Reserves	Foreign currency translation	Treasury shares		Total shareholders' equity
	Shares	Amount						Shares	Amount	
At January 1, 2011	233,115	\$ 3,093	\$ 1,811,633	\$494,876	\$141,997	\$75,806	\$ 70,692	—	\$ —	\$ 2,598,097
Appropriation of prior year net income	—	—	—	141,997	(141,997)	—	—	—	—	—
Net income for the period	—	—	—	—	43,141	—	—	—	—	43,141
Income and expense directly recognized in equity	—	—	—	—	—	882	(49,831)	—	—	(48,949)
Allocation to legal reserves	—	—	—	42,434	—	(42,434)	—	—	—	—
Effect from foreign currency translation	—	152	—	—	—	—	(152)	—	—	—
Stock options	1,106	15	31,015	—	—	—	—	—	—	31,030
At December 31, 2011	234,221	\$ 3,260	\$ 1,842,648	\$679,307	\$ 43,141	\$34,254	\$ 20,709	—	\$ —	\$ 2,623,319
for the year ended December 31, 2012										
Note	Shares	Amount	Share premium	Retained earnings	Net Income	Legal Reserves	Foreign currency translation	Treasury shares		Total shareholders' equity
	Shares	Amount	Share premium	Retained earnings	Net Income	Legal Reserves	Foreign currency translation	Shares	Amount	Total shareholders' equity
At January 1, 2012	234,221	\$ 3,260	\$ 1,842,648	\$679,307	\$ 43,141	\$34,254	\$ 20,709	—	\$ —	\$ 2,623,319
Appropriation of prior year net income	—	—	—	43,141	(43,141)	—	—	—	—	—
Net income for the period	—	—	—	—	126,191	—	—	—	—	126,191
Income and expense directly recognized in equity	—	—	—	—	—	762	27,885	—	—	28,647
Allocation to legal reserves (9)	—	—	—	(16,045)	—	16,045	—	—	—	—
Effect from foreign currency translation	—	(249)	—	—	—	—	249	—	—	—
Purchase of treasury shares	—	—	—	—	—	—	—	(1,943)	(35,653)	(35,653)
Stock options	2,266	30	41,899	—	—	—	—	—	—	41,929
At December 31, 2012	236,487	\$ 3,041	\$ 1,884,547	\$706,403	\$126,191	\$51,061	\$ 48,843	(1,943)	\$ (35,653)	\$ 2,784,433

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

QIAGEN N.V.
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Accounting Policies

The financial statements of QIAGEN N.V. (the 'Company') included in this section are prepared in accordance with IFRS accounting principles as used in the QIAGEN N.V. Consolidated Financial Statements, considering the provisions of part 9 of Book 2 of the Dutch Civil Code.

Subsidiaries are accounted for using the net equity value in these Company Financial Statements.

As the financial data of QIAGEN N.V. is included in the Consolidated Financial Statements, the income statement of QIAGEN N.V. is condensed and includes only the net income from investments after tax and other income after tax in conformity with section 402 of Book 2 of the Dutch Civil Code.

2. Other Intangible Assets

Intangible assets represent developed technology, patent rights and licenses. There were no additions to intangible assets during the reporting periods 2012 and 2011. The historic cost of patent rights and licenses as of December 31, 2012 and 2011 was \$5.9 million. The accumulated amortization as of December 31, 2012 and 2011 amounted to \$5.3 million and \$5.1 million, respectively. Amortization charge considered during the reporting 2012 was \$0.1 million (2011: \$0.5 million).

3. Goodwill

Goodwill development during the reporting period 2012 and 2011 was as follows:

(in thousands)	2012	2011
Goodwill as at January, 1st	\$ 146,862	\$ 99,971
Goodwill acquired during the year	—	50,615
Purchase price adjustments	(18,805)	—
Currency adjustments	3,902	(3,724)
Goodwill as at December, 31st	\$ 131,959	\$ 146,862

Purchase price adjustments to goodwill during 2012 of \$18.8 million were related to the 2011 acquisition of Ipsogen S.A. of \$13.3 million and the 2009 acquisition of DxS Ltd., of \$5.5 million.

4. Office equipment and computer software

The changes in office equipment and computer software are as follows for the years ended December 31, 2012 and 2011:

(in thousands)	2012	2011
Beginning Balance	\$ 635	\$ 120
Additions	150	626
Depreciation	(176)	(111)
Net book value	<u>\$ 609</u>	<u>\$ 635</u>

The historic cost as of December 31, 2012 and 2011 for office equipment and computer software was \$1.0 million and \$0.8 million, respectively. Accumulated depreciation as of December 31, 2012 and 2011 was \$1.8 million and \$1.7 million, respectively.

5. Available-for-sale Financial Instruments

At December 31, 2012, the Company had short-term investments in unquoted debt securities which had a fair market value and cost of approximately \$82.5 million (2011: \$45.3 million) in current available-for-sale financial instruments. At December 31, 2012, the Company holds investments of \$11.5 million for two non-controlling interests in privately-held companies which are

classified as non-current available-for-sale equity securities (2011: \$6.8 million). The investments are accounted for under the cost-method.

(in thousands)	2012	2011
Unquoted equity securities	\$ 11,458	\$ 6,802
Unquoted debt securities	82,463	45,287
Available-for-sale financial Instruments	\$ 93,921	\$ 52,089
thereof current Afs financial instruments	\$ 82,463	\$ 45,287
thereof non-current Afs financial instruments	\$ 11,458	\$ 6,802

6. Financial Fixed Assets

The financial fixed assets are presented in the statements of financial position based on either their net asset value in accordance with the aforementioned accounting principles of the Consolidated Financial Statements, or at amortized cost.

(in thousands)	Total	Investments in subsidiaries	Participation interest	Loans receivable
January 1, 2011	\$ 1,807,534	\$ 1,592,511	\$ 4,332	\$ 210,691
Increases	738,451	736,240	—	2,211
Dividends received	(416,826)	(416,826)	—	—
Share of net profit	62,833	63,021	(188)	—
Translation adjustments	(48,851)	(48,851)	—	—
December 31, 2011	\$ 2,143,141	\$ 1,926,095	\$ 4,144	\$ 212,902

(in thousands)	Total	Investments in subsidiaries	Participation interest	Loans receivable
January 1, 2012	\$ 2,143,141	\$ 1,926,095	\$ 4,144	\$ 212,902
Increases	131,144	—	—	131,144
Decreases	(363,067)	(363,067)	—	—
Dividends received	(69,784)	(69,784)	—	—
Share of net profit	495,846	496,069	(223)	—
Translation adjustments	28,088	28,088	—	—
December 31, 2012	\$ 2,365,368	\$ 2,017,401	\$ 3,921	\$ 344,046

7. Common Shares

The authorized classes of our shares consist of Common Shares, Preference Shares and Financing Preference Shares. No Financing Preference Shares or Preference Shares have been issued. The Company had the following authorized shares issued and outstanding as per end of December 31, 2012:

Authorized, (in thousands)	2012	2011
Common shares	410,000	410,000
Preference shares	450,000	450,000
Financing preference shares	40,000	40,000
At December 31st	900,000	900,000
Issued and outstanding, (in thousands)	2012	2011
Common shares issued	236,487	234,221
Treasury shares	(1,943)	—
Outstanding at December 31st	234,544	234,221
Par value in EUR per share	2012	2011
Common shares	0.01	0.01
Preference shares	0.01	0.01
Financing preference shares	0.01	0.01
Par value in EUR (in thousands)	2012	2011
Common shares issued	2,364.87	2,342.21
At December 31st	2,364.87	2,342.21

8. Subsidiaries

The following is a list of the Company's subsidiaries as of December 31, 2012, other than certain subsidiaries that did not in the aggregate constitute a significant subsidiary:

Company	Country	Ownership
AmniSure International LLC	USA	100%
Cellectis Limited	Australia	100%
Cellectis Inc.	USA	100%
Corbett Research Pty. Ltd.	Australia	100%
Corbett Robotics Pty. Ltd.	Australia	100%
Intelligent BioSystem, Inc.	USA	100%
Ipsogen SA	France	89.4%
QIAGEN Australia Holding	Australia	100%
QIAGEN AB	Sweden	100%
QIAGEN Inc. (Canada)	Canada	100%
QIAGEN Deutschland Holding GmbH	Germany	100%
QIAGEN Gaithersburg, Inc.	USA	100%
QIAGEN GmbH	Germany	100%
QIAGEN Hamburg GmbH	Germany	100%
QIAGEN, U.S. Finance Holdings	Luxemburg	100%
QIAGEN, Finance (MALTA) Ltd	Malta	100%
QIAGEN, Inc. (USA)	USA	100%
QIAGEN Instruments AG	Switzerland	100%
QIAGEN K.K.	Japan	100%
QIAGEN Lake Constance GmbH	Germany	100%
QIAGEN Ltd.	UK	100%
QIAGEN Manchester Ltd.	UK	100%
QIAGEN Mexico	Mexico	100%
QIAGEN North American Holding Inc.	USA	100%
QIAGEN Pty. Ltd.	Australia	100%
QIAGEN SAS	France	100%
QIAGEN Sciences LLC	USA	100%
QIAGEN Shenzhen Co. Ltd.	China	100%
QIAGEN SpA	Italy	100%
Quanta Biosciences, Inc.	USA	100%
SA Biosciences	USA	100%

9. Legal Reserve

Legal reserves as of December 31, 2012 and December 31, 2011 were \$51.1 million and \$34.3 million, respectively. The legal reserves were set up in connection with capitalized development expenses of \$16.0 million in 2012 and \$42.4 million in 2011 and effects recognized directly in equity relating to hedge accounting of \$0.8 million for 2012 and 2011.

10. Employee Information

The average number of employees during the year 2012 was 19 (2011: 14).

11. Remuneration of Directors and Officers

Information on remuneration of the members of the Managing and Supervisory Board is provided under Note 24 to the Consolidated Financial Statements of the Group.

12. Audit Fees

At our 2012 Annual General Meeting of Shareholders held on June 27, 2012, our shareholders appointed Ernst & Young Accountants LLP to serve as our auditors for the fiscal year ended December 31, 2012. Set forth below are the total fees billed (or expected to be billed), on a consolidated basis, by Ernst & Young Network:

(in thousands)	2012		2011	
	E&Y Network	E&Y LLP Netherlands	E&Y Network	E&Y LLP Netherlands
Fees for the audit and review	\$ 1,133	\$ 78	\$ 828	\$ 78
Other assurance services	739	—	96	276
Fees for tax services	560	—	158	—
All other fees	1,398	—	233	—
Service fees to external auditors	\$ 3,830	\$ 78	\$ 1,315	\$ 354

Fees for audit and review of financial statements consist of fees and expenses billed for the annual audit and quarterly review of QIAGEN's consolidated financial statements. They also include fees billed for other audit services, which are those services that only the statutory auditor can provide, and include the review of documents filed with the Securities Exchange Commission.

13. Guarantees

In connection with the issuance of convertible notes in the amount of \$150 million by QIAGEN Finance (Luxembourg) S.A. in 2004 the Company is fully and unconditionally guaranteeing payments of principal and interest on the notes.

In connection with the issuance of convertible notes in the amount of \$300 million by QIAGEN Euro Finance (Luxembourg) S.A. in 2006 the Company is fully and unconditionally guaranteeing payments of principal and interest on the notes.

The Company has granted a guarantee to the lenders in the €400 million syndicated revolving credit facility as security for any drawings under such facility of its subsidiaries. No amounts had been borrowed by any subsidiary of the Company under such facility as of December 31, 2012.

Signatures

Venlo, the Netherlands,

April 26, 2013

Peer M. Schatz
Chief Executive Officer

Roland Sackers
Chief Financial Officer

OTHER INFORMATION

Appropriation of Net Income

According to Article 40 till 42 of the articles of association, the allocation of net income will be as follows. Subject to certain exceptions, dividends may only be paid out of profits as shown in our annual report as adopted by the General Meeting of Shareholders. Distributions may not be made if the distribution would reduce the shareholders' equity below the sum of the paid-up capital and any reserves required by Dutch Law or the Articles.

Out of profits, dividends must first be paid on any outstanding Preference Shares (the "Preference Share Dividend") in a percentage (the "Preference Share Dividend Percentage") of the obligatory amount (call) paid up on such shares at the beginning of the fiscal year in respect of which the distribution is made. The Preference Share Dividend Percentage is equal to the Average Main Refinancing Rates during the financial year for which the distribution is made. Average Main Refinancing Rate shall be made understood to mean the average value on each individual day during the financial year for which the distribution is made of the Main Refinancing Rates prevailing on such day. Main Refinancing Rate shall be understood to mean the rate of the Main Refinancing Operation as determined and published from time to time by the European Central Bank. If and to the extent that profits are not sufficient to pay the Preference Share Dividend in full, the deficit shall be paid out of the reserves, with the exception of any reserve, which was formed as share premium reserve upon the issue of Financing Preference Shares. If in any fiscal year the profit is not sufficient to make the distributions referred to above and if no distribution or only a partial distribution is made from the reserves referred to above, such that the deficit is not fully made good no further distributions will be made as described below until the deficit has been made good.

Out of profits remaining after payment of any dividends on Preference Shares such amounts shall be kept in reserve as determined by the Supervisory Board. Out of any remaining profits not allocated to reserve, a dividend shall be paid on the Financing Preference Shares in a percentage over the par value, increased by the amount of share premium that was paid upon the first issue of Financing Preference Shares, which percentage is related to the average effective yield on the prime interest rate on corporate loans in the United States as quoted in the Wall Street Journal. If and to the extent that the profits are not sufficient to pay the Financing Preference Share Dividend in full, the deficit may be paid out of the reserves if the Managing Board so decides with the approval of the Supervisory Board, with the exception of the reserve which was formed as share premium upon the issue of Financing Preference Shares.

Insofar as the profits have not been distributed or allocated to the reserves as specified above, they are at the free disposal of the General Meeting of Shareholders, provided that no further dividends will be distributed on the Preference Shares or the Financing Preference Shares.

The General Meeting may resolve, on the proposal of the Supervisory Board, to distribute dividends or reserves, wholly or partially, in the form of QIAGEN shares.

Subsequent Events

Based on the Company's review, no events or transactions have occurred subsequent to December 31, 2012 other than those described in Note 29 to the Consolidated Financial Statements, that would have a material impact on the financial statements as presented.

Venlo, April 26, 2013

QIAGEN N.V.

Peer M. Schatz

Roland Sackers

Independent auditor's report

To the Shareholders, Supervisory Board and Management Board of QIAGEN N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of QIAGEN N.V., Venlo, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2012, the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of cash flows, and the consolidated statements of changes in equity for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company statements of financial position as at December 31, 2012, the company income statement and company statement of changes in equity for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the managing directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of QIAGEN N.V. as at December 31, 2012 its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of QIAGEN N.V. as at December 31, 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the managing directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the managing directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Eindhoven, April 26, 2013

Ernst & Young Accountants LLP

Signed by W.J. Spijker