# Annual Report 2010

Making improvements
in life possible

QIAGEN®

Sample & Assay Technologies

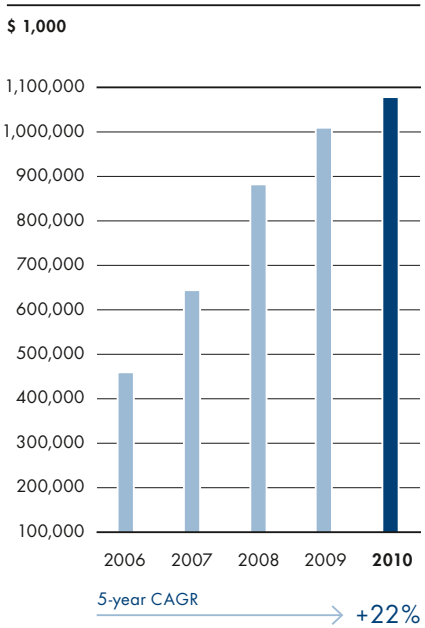
# Key figures

## QIAGEN KEY FIGURES 2010

| As of December 31<br>$ 1,000 except per share data | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Results** | | | | | |
| Net sales | 1,087,431 | 1,009,825 | 892,975 | 649,774 | 465,778 |
| Operating income | 188,537 | 180,205 | 145,662 | 83,133 | 100,601 |
| Net income | 144,311 | 137,767 | 89,033 | 50,122 | 70,539 |
| Basic earnings per share | 0.62 | 0.67 | 0.45 | 0.30 | 0.47 |
| Diluted earnings per share (EPS)[1] | 0.60 | 0.64 | 0.44 | 0.28 | 0.46 |
| **Number of shares** | | | | | |
| Weighted average number of common chares used to compute basic net income per common share | 232,635 | 206,928 | 196,804 | 168,457 | 149,504 |
| Weighted average number of common shares used to compute diluted net income per common share | 240,483 | 213,612 | 204,259 | 175,959 | 153,517 |
| **Cash flow** | | | | | |
| Cash flow from operations | 250,752 | 216,995 | 172,998 | 84,811 | 101,479 |
| Capital expenditures for property, plant and equipment | 79,667 | 52,179 | 39,448 | 34,492 | 28,995 |
| Free cash flow (Cash flow from operations less capital expenditures) | 171,085 | 164,816 | 133,550 | 50,319 | 72,484 |
| Cash EPS (Cash flow from operations / weighted average number of diluted shares) | 0.71 | 0.77 | 0.65 | 0.29 | 0.47 |
| **Balance sheet** | | | | | |
| Total assets | 3,913,995 | 3,796,464 | 2,885,323 | 2,775,174 | 1,212,012 |
| Cash and cash equivalents | 828,407 | 825,557 | 333,313 | 347,320 | 430,357 |
| Total long-term liabilities, including current portion | 1,125,070 | 1,183,182 | 1,197,088 | 1,220,084 | 536,738 |
| Total shareholders' equity | 2,476,353 | 2,291,169 | 1,453,844 | 1,391,575 | 566,165 |

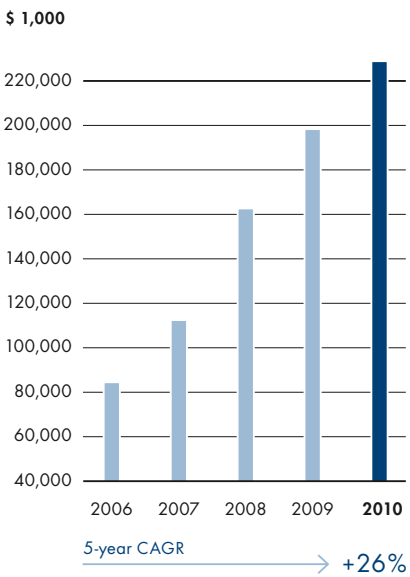
[1] 2010 results reflect capital increase in 2009 and corresponding change in number of shares outstanding.

### NET SALES



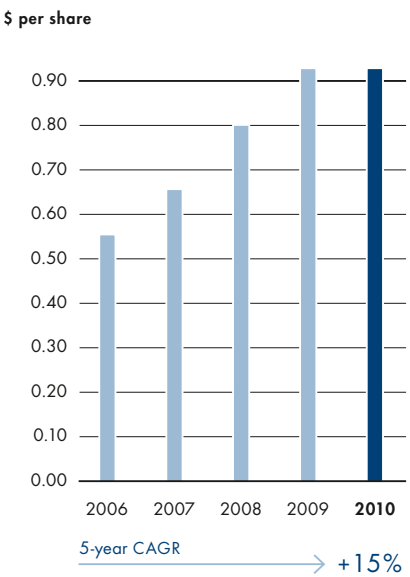

### ADJUSTED NET INCOME

Excluding acquisition, business integration and related charges as well as amortization of acquired IP and equity-based compensation (SFAS 123R) of $14.8 million in 2006, $61.4 million in 2007, $74.3 million in 2008, $61.8 million in 2009, and $78.4 million in 2010.




### ADJUSTED DILUTED EARNINGS PER SHARE

Excluding acquisition, business integration and related charges as well as amortization of acquired IP and equity-based compensation (SFAS 123R) of $0.10 in 2006, $0.35 in 2007, $0.36 in 2008, $0.29 in 2009, and $0.33 in 2010.




CAGR – Compound annual growth rate

# QIAGEN at a glance

## CUSTOMER WORKFLOW

**BIOLOGICAL SAMPLE** → **SAMPLE TECHNOLOGIES** → **ASSAY TECHNOLOGIES** → **VALUABLE MOLECULAR INFORMATION**

Extraction, isolation and purification of the molecules of life – DNA, RNA and proteins – in reliable, standardized processes.

Wide range of tailor-made applications to make molecular information from biological samples visible and available for interpretation.

## PRODUCT CATEGORIES

Consumable products (85% of sales) are specialized kits that contain all necessary materials to support the use of sample and / or assay technologies.

Instruments (15% of sales) are used with consumables, even enabling customers to fully automate processes from the preparation of clinical samples to delivery of valuable results.

## CUSTOMER CLASSES

### Molecular Diagnostics (47% of net sales)

Physicians, hospitals and healthcare providers use QIAGEN technologies to save lives and fight disease. Our products support disease prevention such as screening women for risk of cervical cancer; profiling of patients to pinpoint many infectious diseases; personalized healthcare to guide treatment decisions; and point of need testing to provide on-site diagnosis.

### Applied Testing (6% of net sales)

Professionals in fields such as human identification and forensics, food testing and veterinary medicine use QIAGEN technologies in commercial applications beyond human healthcare. Our products are helping to solve crimes, secure food supplies and detect potentially devastating livestock diseases.

### Pharma (21% of net sales)

Scientists in the pharmaceutical and biotechnology industries look to QIAGEN to advance gene-based drug discovery and development, supporting the creation of new medical breakthroughs.

### Academia (26% of net sales)

Researchers at life science laboratories around the world depend on QIAGEN to advance our understanding of the molecular basis of life. Customers include universities and research institutes.

# Our mission

As the innovative market and technology leader, QIAGEN creates Sample & Assay Technologies that enable access to valuable molecular information from any biological sample.

Our mission is to enable our customers to achieve outstanding success and breakthroughs in life sciences, applied testing, pharma and molecular diagnostics. We thereby make improvements in life possible.

Our commitment to the markets, customers and patients we serve drives our innovation and leadership in all areas where our Sample & Assay Technologies are required.

The exceptional talent, skill and passion of our employees are key to QIAGEN's excellence, success and value.

QIAGEN is playing a pivotal role in the molecular biology revolution.

Dramatic advances have created breakthroughs in understanding the building blocks of life—DNA, RNA and proteins.

Our Sample & Assay Technologies enable our customers to capitalize on this potential.

We help healthcare providers diagnose diseases more precisely and make better treatment decisions. Enable scientists to explore the building blocks of life. Support researchers in developing new drugs. Equip professionals with advanced technologies for human identification, veterinary testing and food safety.

As a proven innovation leader, QIAGEN is committed to continue translating opportunities into significant value. And fulfilling our mission of making improvements in life possible.

# Content


OVERVIEW

—

Interview with CEO Peer M. Schatz 04
The Executive Committee 10
Common Shares 12

QIAGEN IN 2010

—

Making Improvements in Life Possible 20

MANAGEMENT REPORT

—

Business and Operating Environment 42
Performance Review 54
Human Resources 62
Sustainability 63
Future Perspectives 65


In addition to this Annual Report, QIAGEN has filed a Form 20-F with the U.S. Securities and Exchange Commission containing detailed information, including a review of QIAGEN's operations, key markets and risks as well as a description of securities and a review of controls and procedures. A copy of the Form 20-F can be requested from QIAGEN or downloaded from the Investor Relations section of www.qiagen.com.


## GOVERNANCE

—

Corporate Structure 70
Managing Board 70
Supervisory Board 72
Share Ownership 77
Additional Information 78
Report of the Supervisory Board 86

## FINANCIAL RESULTS

—

Consolidated Financial Statements 94
Notes to Consolidated Financial Statements 102
Auditor's Report 144

## SERVICE

—

Glossary 146
Service 150

# Interview with CEO Peer M. Schatz

QIAGEN delivered solid results in a changing environment in 2010 and made significant progress in further expanding its strategic position. CEO Peer Schatz talks about advances made by QIAGEN, implications of the U.S. economy and how QIAGEN is leveraging its leadership in Sample & Assay Technologies to drive innovation and growth.

Mr. Schatz, what is your view of QIAGEN's results in 2010?

We demonstrated that QIAGEN continues to expand in its core markets and deliver growth against the backdrop of a challenging year. Net sales grew 8% at constant exchange rates (CER) to $1.09 billion, and rose at a faster, for QIAGEN more typical, 12% pace when the exceptional contributions of swine flu-related sales in 2009 are excluded. Our earnings grew at a solid pace, with adjusted net income rising 12% CER to $222.7 million.

Although we did not meet the sales target set at the beginning of the year, which was due to difficult economic conditions in the U.S., we delivered improved results for 2010, made further progress on our operational efficiency and generated a record level of free cash flow. Most importantly, we made significant progress on our strategic initiatives.

What sort of strategic initiatives?

Everything we do is based on one fundamental principle: enabling our customers to transform raw biological samples into valuable molecular information. We are expanding within our four customer classes – Molecular Diagnostics, Applied Testing, Pharma and Academia. Our Molecular Diagnostics business, in particular, is creating value for healthcare systems and now represents about half of our sales. We are investing in R&D to strengthen our product portfolio. Another priority is to develop our capabilities in fast-growing geographic regions, which is reflected in our direct entry into India at the beginning of 2011. Operational excellence initiatives are also under way to make QIAGEN even more efficient and productive. And when you look at our high retention rates, we are seeing the benefits of our long-standing commitment to attracting and retaining highly talented employees. An outcome of these initiatives is that we launched more than 80 new products in 2010. We are executing well on our strategy to leverage our leadership position in Sample & Assay Technologies to drive innovation and growth.

Among new products, what were the highlights?

We had many highlights ranging from the launch of new food safety and human identification portfolios in Applied Testing to new real-time PCR assay panels in Pharma and Academia that cover entire disease and signaling pathways. However, the standout highlight of 2010 is clearly the launch of QIAsymphony RGQ, the latest expansion of our novel laboratory automation system. Since the launch in 2008 of the first module – QIAsymphony SP – we now have an installed base of more than 450 systems worldwide and plan to significantly increase this in 2011, putting QIAsymphony on track to become the most widely sold molecular technology processing instrument. The launch of QIAsymphony RGQ in late 2010 added the Rotor-Gene RGQ, a real-time PCR detection platform, to this highly versatile and robust platform. Feedback from our customers has been very positive.

What do you see as the longer-term implications for QIAGEN?

We see a very substantial opportunity and a chance to drive the dissemination of molecular diagnostics. In fact, due to the characteristics of this market segment, this could even exceed what we saw with immunoassays about 15 years ago and about 25 years ago in clinical chemistry.

So QIAsymphony may actually be more important for the future than some may have been anticipating?

QIAsymphony is a key foundation of our growth strategy and is critical to our initiatives to add molecular content to our systems. Up to the year 2000, we were focusing on our leadership in platform technologies. During the next five years, we integrated these platforms into complete workflows, and then from 2005 to 2010, we automated these workflows. Last year, we moved into a new strategic phase to expand our molecular content, and this is now being put into workflows and our automation platforms.

How will QIAsymphony drive growth in Molecular Diagnostics?

In many ways, QIAsymphony is important to driving growth across all of our four customer classes. However, the most important contributions will come in Molecular Diagnostics, where we have created four pillars – Prevention, Profiling, Personalized Healthcare and Point of Need testing – to further target the specific needs of our customers using diagnostics in human healthcare.

What makes QIAsymphony so different compared to competitor products?

QIAsymphony can automate entire workflows, from the preparation of a biological sample to delivering clinically relevant results. At the same time, the system can handle an enormous range of sample types and processing routines. In addition, it can be flexed to accommodate significant throughput while still providing random access features that allow for very economical processing profiles, even at low testing volumes. And we are working to greatly expand the test menu. We continue to launch new assays for profiling diseases and for use in the emerging field of personalized healthcare. Just as important, this platform also accommodates all other PCR-based tests, including those developed by our customers. This is important since these laboratory-developed tests account for about 40% of the global market volume. One way to consider the impact is to compare QIAsymphony with the introduction of Windows-based computers, how separate machines with very specific tasks were consolidated into one device. Another example is the iPad: a novel technology that allows customers to load various "apps," or here we mean many molecular assay tests.

So then the agreement with Abbott in October 2010, where you gained rights in the U.S. and Canada to tests for HIV and HCV, is another example of how you will add "apps" to QIAsymphony?

Exactly. We want to offer the broadest menu possible, and in particular the most frequently conducted tests. We already offer the broadest range of molecular diagnostic tests in Europe and other markets, and we have now gained access to these two important tests for the U.S. and Canada. These two tests, along with our Personalized Healthcare tests, will be important to driving the adoption of QIAsymphony. Only about 10% of hospital labs in the U.S. today are estimated to be using molecular diagnostics, so we want to provide a critical mass of tests to justify making this transition.

The same agreement will give Abbott access to the U.S. testing market for human papillomavirus (HPV). The *digene*HPV test is the leader, but rival tests will soon be launched. How will this impact your business prospects?

The entry of competitors into the U.S. HPV market has always been part of our business plans. Although we have doubled the number of women receiving HPV tests in the U.S. since the acquisition of Digene in 2007, market penetration is now about 40%, so there is still significant room for expansion. Competitors signal that you are active in a healthy and attractive market, and new entrants will drive awareness among women of the benefits that HPV testing offers in terms of preventing cervical cancer, and this will benefit everyone. Although Europe is still a small market, we have faced several competitors there for a number of years, and we are the undisputed leader with more than 60% market share. The reasons are clear: We have the best technology for identifying women at risk for this potentially deadly disease, and data backed by clinical tests done around the world.

How has the economic slowdown in the U.S. impacted your HPV business, and what are the prospects for 2011?

Contrary to all expectations, the number of patients visiting doctors in the U.S. for HPV tests started to decline significantly in early 2010, with some estimates as high as 15% for the full year compared to 2009. In the U.S., rising unemployment rates mean that fewer people are covered by health insurance, as this is a benefit provided by employers. In addition,

# "We demonstrated that QIAGEN continues to expand in its core markets and deliver growth."

Peer M. Schatz, Chief Executive Officer

economic challenges prompt people to save on co-payments required for such visits. On the other hand, the underlying fundamentals are still very positive. We continue to see success from our initiatives to convert physicians to using HPV tests: The use of these tests is included in national treatment guidelines and is reimbursed by insurance providers. And in these challenging economic conditions, although fewer women in the U.S. may be visiting their doctors for checkups, those going to doctors are more and more being tested with the *digene*HPV test along with their regular Pap test. Although there are signs of an economic recovery in the U.S., we are not going to make predictions, and that is why we have conservative expectations for 2011. An economic recovery in the U.S. would be beneficial to our expectations.

When QIAGEN strengthened its financial position with a capital offering in 2009, investors expected proceeds to be used for acquisitions. But 2010 was rather quiet in this respect. Why?

We exercised discipline in 2010. We have a long-standing strategy to identify and execute transactions that add molecular content, provide access to new technologies or enable entry into new geographic markets. We did complete some smaller acquisitions in 2010, especially in Applied Testing where the food testing portfolio acquired from ifp significantly improved our position. And the acquisition

# "Companion diagnostics will have a transforming impact on healthcare."

Peer M. Schatz, Chief Executive Officer

of ESE in 2010 gave us access to a Point of Need testing device that will address demand for mobile technologies. I expect to see more momentum in 2011 in terms of acquisitions.

QIAGEN reported strong gains in Personalized Healthcare in 2010. Experts have been talking for years about a new paradigm to replace the "one-size-fits-all" model. How do you see this emerging area developing in the coming years?
The use of companion diagnostics – to match the right patient with the right therapy – will have a transforming impact on healthcare. It is a "win-win" situation for everyone: Physicians benefit from access to better tools to diagnose and treat patients, payors benefit from more cost-efficient use of treatments, pharmaceutical companies benefit by better identifying the promise of their clinical development projects. Most importantly, patients benefit significantly by avoiding unnecessary, or even harmful, treatments. The most critical issue is to get access to the right treatment as quickly as possible.

So how is QIAGEN delivering on this trend?
Based on our independence, global presence and unique capabilities, QIAGEN has a clear value proposition to our customers. We have built up by far the leading industry position with our portfolio of assays for companion diagnostics. More than 15 co-development projects are under way with various pharma companies. We have become the partner of choice when it comes to discovery and valida-

tion of biomarkers. Personalized Healthcare may still be small within QIAGEN, representing about $ 50 million of sales in 2010, but it is growing dynamically, and we expect it will do so for many years – possibly becoming our largest area within Molecular Diagnostics.

Now that you are rolling out new automation platforms, how will you add more assays?
We will add assays in all customer classes, particularly in the Molecular Diagnostics areas of Profiling and Personalized Healthcare. This will increase the value and utility of our platforms. In 2011, we are planning to complete the first FDA submission for a molecular-based companion diagnostic – QIAGEN's KRAS test for colorectal cancer treatment with various medicines. We also will see partnerships increasingly branching out from oncology and moving into autoimmune and cardiovascular diseases. We are actively increasing our partnership portfolio and adding more assay development programs.

In addition, we significantly expanded our internal content capabilities. QIAGEN now offers more than 60,000 biomarkers in assay formats for discovery and development purposes. More than 30 are targeted and, depending on the geographic market, are regulated for diagnostic use.

We continue to strive to enhance our portfolio of validated molecular content. One of several examples is our recent investment in Alacris, a German biotechnology start-up company that will provide us with proprietary biomarker information; they are mining valuable molecular content by combing through many layers of information from clinical samples.

Gaining exclusive access to biomarkers will be critical, and we did this by securing exclusive worldwide rights to PI3K, a very common biomarker in cancer tumors, through an agreement with the Johns Hopkins University. We will also reach more partnering deals with pharma companies, and move beyond biomarker development for cancer. No other diagnostics company can cover the entire pharmaceutical R&D continuum like QIAGEN.

Molecular Diagnostics, particularly Personalized Healthcare, have bright growth prospects. What are your expectations for your other customer classes?
We have differentiated and highly competitive product offerings in each class as well as the key capabilities for success. Academia and Pharma are core elements. They form a critical basis for new innovations and partnerships since scientific advances in these areas, particularly Academia, are the source for clinically relevant breakthroughs. And Applied Testing has dynamic potential given the broad range of commercial applications, particularly in forensics, veterinary medicine and food testing.

What are your priorities for 2011?
We are focused in 2011 on expanding our strategic position and preparing to further accelerate growth in 2012. We expect adjusted earnings to improve at a faster pace than sales due to the benefits of operational excellence initiatives. Another priority will be broadening and strengthening our product offering with a number of important regulatory submissions. We are also expanding into fast-growing markets, particularly in Asia, and we started our own operations in India in early 2011. So I believe we are in excellent shape to deliver further sustainable growth.

Do you have any concluding thoughts?
I am convinced QIAGEN is better positioned than ever before to capitalize on the vast opportunities created by the revolution in molecular biology. We have a very solid business, a healthy balance sheet and – most importantly – the best employees to drive our growth. Every day, our employees come to work focused on our mission of making improvements in life possible. This is very rewarding and motivating for all of us, what keeps us determined to develop new innovations.

# The Executive Committee

Under the leadership of Peer M. Schatz as Chief Executive Officer, the Executive Committee is responsible for QIAGEN's global operations and making decisions affecting our business, employees and future prospects. This global management team combines unique experience and expertise from the diagnostics, life sciences and pharmaceuticals industries.

**Peer M. Schatz** Managing Director, Chief Executive Officer

Joined QIAGEN in 1993 as Chief Financial Officer and was appointed a Managing Director in 1998 and CEO in January 2004. Mr. Schatz was previously a partner in a private management buyout group in Switzerland and worked in finance and systems positions at Sandoz and Computerland AG as well as in leadership positions at various start-up companies in Europe and the U.S. He graduated from the University of St. Gallen, Switzerland, and obtained an M.B.A. in Finance from the University of Chicago. He serves as a member of the German Corporate Governance Commission.

**Dr. Michael Collasius** Senior Vice President Automated Systems

Joined QIAGEN in 1992 and was appointed Vice President Automated Systems in 2001. He led the integration and development of QIAGEN's instrumentation business as General Manager of QIAGEN Instruments since its acquisition in 1998. Dr. Collasius graduated from the Institute for Genetics in Cologne, Germany, and obtained his Ph.D. in Chemistry from the Max-Planck-Institute of Biochemistry in Martinsried, Germany.

**Douglas Liu** Senior Vice President Global Operations

Joined QIAGEN in 2005 as Vice President Global Operations. Before joining QIAGEN, Mr. Liu worked at Bayer Healthcare as Head of Operations for Nucleic Acid Diagnostics in the U.S. and in Strategic Planning and Consulting at Bayer AG in Leverkusen, Germany. Prior to these positions, Mr. Liu worked at Abbott Diagnostics and Chiron Diagnostics in the U.S. He earned a B.S. degree from the University of Illinois and an M.B.A. from Boston University.

**Gisela Orth** Senior Vice President Global Human Resources

Joined QIAGEN in 2009 as Vice President Human Resources. Prior to joining QIAGEN, Ms. Orth worked at Continental AG as a Human Resources Director on different assignments in Germany, Eastern Europe and the Middle East. She also spent several years in HR-related international management consulting with firms such as Kienbaum Development Services as well as others. Ms. Orth earned an M.B.A. from the Edinburgh Business School at Heriot-Watt University in Scotland.

**Roland Sackers** Managing Director, Chief Financial Officer

Joined QIAGEN in 1999 as Vice President Finance and was appointed CFO in 2004 and a Managing Director in 2006. Before joining QIAGEN , Mr. Sackers worked at Arthur Andersen Wirtschaftsprüfungsgesellschaft. He studied Business Administration at the Westfälische Wilhelms University in Münster, Germany and is a Diplom-Kaufmann. Since 2007, Mr. Sackers has served as the QIAGEN representative observer of the board of Eurofins Genomics BV. He is a board member of the industry association BIO Deutschland.

**Dr. Joachim Schorr** Managing Director, Senior Vice President Global Research and Development

Joined QIAGEN in 1992 and was appointed Senior Vice President Research and Development and a Managing Director in 2004. Before joining QIAGEN, Dr. Schorr worked for the pharmaceutical company Hoechst AG and also was a co-founder of Coley Pharmaceuticals, EnPharma Pharmaceuticals and QBM Cell Sciences. He holds a Ph. D. in Molecular Biology and Virology from the University of Cologne. Dr. Schorr is currently a member of the Supervisory Board of QBM Cell Sciences.

**Dr. Ulrich Schriek** Senior Vice President Corporate Business Development

Joined QIAGEN in 1997 and was appointed Vice President Corporate Business Development in 2000. Dr. Schriek previously held sales and marketing positions at Pharmacia Biotech. He earned a degree in Biology and obtained his Ph.D. in Biochemistry from the Ruhr University in Bochum, Germany. Dr. Schriek is a member of various industry panels and organizations, including the World Economic Forum Technology Pioneers Selection Committee and the Nanobiotechnology Initiative started by the German Federal Ministry of Education and Research.

**Dr. Thomas Schweins** Senior Vice President Marketing&Strategy

Joined QIAGEN in 2004 as Vice President Corporate Strategy and was appointed Vice President Marketing & Strategy in 2005. Dr. Schweins came to QIAGEN from The Boston Consulting Group. He previously worked as a Technology Manager, and later as an Assistant to the Management Board, at Hoechst/Aventis. Dr. Schweins earned a degree in Biochemistry from the University of Hanover and an M.S. degree from the University of Southern California before obtaining his Ph.D. at the Max-Planck-Society in Dortmund and Heidelberg, Germany.

**Bernd Uder** Managing Director, Senior Vice President Global Sales

Joined QIAGEN in 2001 as Vice President Sales and Marketing and was appointed a Managing Director and Senior Vice President Sales and Marketing in 2004. Mr. Uder became Senior Vice President Global Sales in 2005 following a restructuring of the sales and marketing organization. Before joining QIAGEN, he served as Vice President European Biolab Sales and Marketing with Pharmacia and Vice President Global e.business with Amersham Pharmacia Biotech.

# Common Shares

The common shares of QIAGEN – a pioneering global share listed and traded on stock exchanges in the United States and Europe – provide the liquidity and visibility that are important to shareholders. Our senior management team communicates openly and frequently with the financial community, supporting our focus on creating value for shareholders.

NASDAQ

| | |
|---|---|
| Market | NASDAQ |
| Segment | NASDAQ Global Select Market |
| Ticker | QGEN |
| ISIN | NL0000240000 |

GERMANY

| | |
|---|---|
| Market | Frankfurt Stock Exchange |
| Segment | Prime Standard |
| Ticker | QIA |
| WKN | 901626 |

CAPITALIZATION DEC. 31, 2010

| | |
|---|---|
| Market capitalization | $4.56 billion |
| Shares outstanding | 233,114,715 |
| Free float | approx. 86% |

**Listings in the U.S. and Europe**

QIAGEN's global shares have been registered and traded in the United States since 1996 on the NASDAQ Global Select Market (NASDAQ National Market prior to July 2006) and in Germany since 1997 on the Frankfurt Stock Exchange, where our shares are included in the Prime Standard segment, the premium international segment created in 2003.

We believe the dual listing on NASDAQ and the Frankfurt Stock Exchange provides significant advantages for QIAGEN, our shareholders and our employees. These include greater visibility of QIAGEN in Europe and the U.S., which can positively impact sales of our products and other aspects of our business. We also believe the dual listing of our common shares enlarges the potential trading market for our securities and increases liquidity. Our common shares, which should not be confused with American Depositary Receipts (ADRs), can be traded on either exchange, and also in U.S. dollars or euros. This type of share also provides shareholders around the world with equal corporate rights.

**Trading and Liquidity**

QIAGEN's common shares again offered high liquidity during 2010, with an average daily trading volume of approximately 2.4 million shares (averaging more than 1.4 million on NASDAQ, approximately one million on the Frankfurt Stock Exchange and 20,000 on other German exchanges). As of December 31, 2010, the free float, which affects the weighting of QIAGEN common shares in various indexes, was approximately 86%. Members of the Managing Board and the Supervisory Board in total held approximately 3.4% of QIAGEN's outstanding common shares. We believe the majority of our common shares are held by institutional investors in Europe and the United States.

**Equity Market Environment**

QIAGEN shares traded in generally cautious markets in 2010 as global investors awaited signs of a sustained economic recovery. Economic news in general was mixed, with some measures showing gradual improvement but others suggesting many economies around the world remain vulnerable.

Favorable news included moderate economic expansion in the U.S. and Europe, which were supported by rising factory orders and manufacturing activity in the U.S. as well as an improving financial sector. In late 2010, U.S. corporate cash levels reached $1.9 trillion, the highest level since 1959 as a percentage of total corporate assets.

Among disappointing news was the continuing high unemployment rate in the U.S. and other developed markets. In the U.S., the unemployment rate remained above 9% through 2010. Economic uncertainty also hindered the healthcare industry environment, with a key trend seen in a reduction of U.S. doctor visits. In Europe, financial markets were concerned about overall fragile economic conditions and the impact of austerity measures in several countries.

### Investor Relations and Transparency

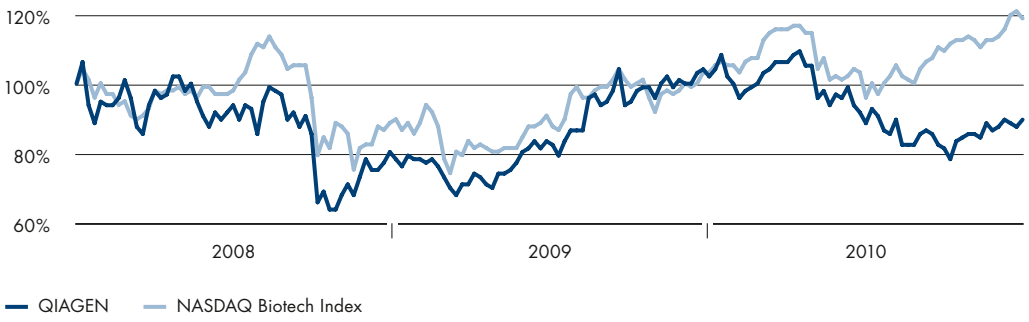
QIAGEN is committed to ensuring that individual and institutional shareholders, analysts and journalists around the world are provided with transparent, comprehensive and readily accessible information on our strategy, business performance and future prospects.

Our senior management team recognizes the importance of maintaining close relationships with investors and analysts. We presented at more than 30 national and international institutional brokerage conferences in 2010. In addition to meetings held during these conferences, QIAGEN executives participated in more than 60 road shows and in-house visits to institutional investors in Europe, the United States and Asia, and also were involved in numerous conference calls. In total, these activities resulted in more than 850 direct discussions with investors and analysts during the year.

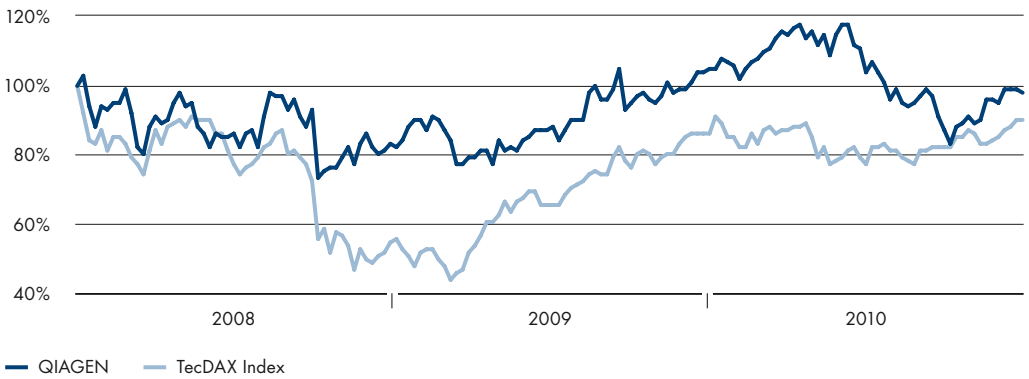
Among other key elements of our investor communications strategy, QIAGEN held conference calls to discuss quarterly results during 2010, and hosted an international investor event in New York, which was attended by more than 80 professionals to discuss recent results and the outlook for future developments.

In 2010, QIAGEN was followed by more than 30 analysts from many major international brokerages. At the end of 2010, approximately 60% of analysts covering QIAGEN recommended buying our shares, while approximately 40% had hold recommendations. As of December 31, 2010, the average target price among these analysts was $22.80.

QIAGEN SHARE PRICE DEVELOPMENT — NASDAQ 2008 – 2010




QIAGEN SHARE PRICE DEVELOPMENT — FRANKFURT STOCK EXCHANGE 2008 – 2010



MOLECULAR DIAGNOSTICS

# HOW DO WE FIGHT DISEASES AND IMPROVE HEALTHCARE?

# MOLECULAR DIAGNOSTICS

**TRANSFORMING MEDICINE**

QIAGEN technologies are transforming the practice of medicine. Unlocking valuable information from DNA, RNA and proteins of patients, our products are helping healthcare professionals save lives and fight diseases. Customers include hospitals, private laboratories and large clinical diagnostics service providers.

We are focusing on four healthcare needs:

### PREVENTION

Screening of non-symptomatic patients to detect risks to specific diseases

*digene*HPV test is the "gold standard" in screening women for HPV virus (primary cause of cervical cancer)

### PROFILING

Testing of symptomatic patients to determine the type and severity of an infection

More than 120 assays offered to assess viral and bacterial infections such as HIV, HBV, HCV, or tuberculosis

### PERSONALIZED HEALTHCARE

Testing of pre-diagnosed patients to guide treatment decisions and use of medicines

More than 20 assays available and 15 R&D co-development projects for companion diagnostics under way with pharmaceutical companies

### POINT OF NEED

Molecular testing in settings with no laboratory, particularly emerging markets

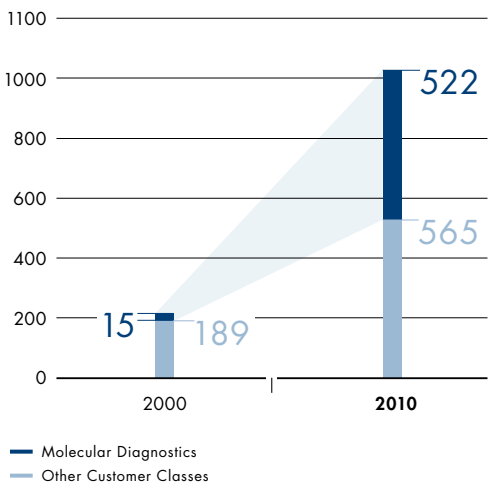
Pioneer in offering portable detection platforms that provide reliable and rapid results

**BROAD PORTFOLIO**

QIAGEN offers one of the broadest portfolios of Sample & Assay Technologies for molecular diagnostics along with efficient automated solutions covering entire laboratory workflows. These innovations are driving the dissemination of molecular technologies in modern healthcare.

As a market and technology leader, we intend to remain at the forefront of the revolution in the use of diagnostics for human health, which provides significant opportunities for further growth.

QIAGEN REVENUE DEVELOPMENT [$ MILLON.]



## PREVENTION

**IMPROVING HEALTHCARE BY EARLY DETECTION**

Preventive screening with QIAGEN technologies saves lives and improves outcomes. Our *digene*HPV test is the "gold standard" for testing women for the presence of human papillomavirus (HPV), the primary cause of cervical cancer. We offer the *care*HPV test for emerging markets. Our CT / NG assays are used in women's health to screen for chlamydia and gonorrhea.

**GROWTH STRATEGY**

QIAGEN is working to further increase market penetration in the U.S. and gain reimbursement in European markets for HPV screening. In developing markets, we are partnering with health authorities to improve access to screening for cervical cancer, which remains a leading cause of cancer death in women, and show the value of HPV screening. We also are developing a pipeline of new preventive screening assays.

**2010 HIGHLIGHTS**

QIAGEN made significant progress amid challenging economic conditions:

- Successful conversion efforts continued in the U.S. market for HPV testing, with 40% of women tested with both a Pap and HPV test.
- Our *care*HPV test received the European CE mark, enabling distribution in developing countries, with a target set for market introduction in the second half of 2011.
- QIAensemble, a next-generation automation platform, is in development.

## PROFILING

**FIGHTING DISEASE WITH ACCURATE DIAGNOSIS**

QIAGEN leads the industry with more than 120 assays available for detection of various pathogens in patients, and underpinned by the advanced automation platform QIAsymphony RGQ for efficient laboratory workflows. Our *artus* portfolio covers major infectious diseases such as HIV, HBV, HCV, tuberculosis, respiratory conditions and a transplantation panel.

**GROWTH STRATEGY**

Our QIAsymphony RGQ platform has the potential to play a critical role in disseminating molecular diagnostics across the healthcare market. This robust platform addresses a critical need for broad testing needs at efficient costs. We intend to further broaden our menu of approved assays for use on QIAsymphony RGQ.

**2010 HIGHLIGHTS**

QIAGEN increased its presence in Profiling with expanded offerings:

- QIAsymphony RGQ, the latest expansion of this automation platform, was launched in late 2010 with the addition of the "Rotor-Gene Q" real-time PCR detection technology.
- QIAGEN gained access to important HIV and HCV assays for North America through an agreement with Abbott.

## PERSONALIZED HEALTHCARE

**PIONEERING INDIVIDUAL TREATMENT STRATEGIES**

QIAGEN is the global leader in companion diagnostics for Personalized Healthcare, with more than 20 assays available and 15 projects under way with pharmaceutical companies to develop these tests that guide treatment decisions. Our new test for KRAS mutations in colorectal cancer patients is set to be submitted for landmark U.S. regulatory approval in 2011.

**GROWTH STRATEGY**

Building on QIAGEN's leadership in Personalized Healthcare and the 2010 expansion of our teams working in this area, we plan to add new collaborations and build up a range of companion diagnostics linked to specific medicines. We also intend to move beyond cancer in our pharma collaborations to develop companion diagnostics in other therapeutic areas.

**2010 HIGHLIGHTS**

QIAGEN made significant advances in Personalized Healthcare:

- The integration of DxS, a leader in companion diagnostics that was acquired in 2009, was completed and Manchester established as an international center of excellence.
- The number of co-development partnerships with pharmaceutical companies was expanded in 2010 covering a range of biomarkers involved in the development of new medicines.
- QIAGEN gained an exclusive license from Johns Hopkins University for rights to develop molecular assays for the PI3K biomarker, which is involved in many cancers.

## POINT OF NEED

**BRINGING THE LAB TO THE PATIENT**

Molecular diagnostics has only begun to move outside the laboratory, and QIAGEN is setting the standard for new applications in emergency healthcare, intensive care units and other clinical settings that require fast turnaround times or have no access to lab infrastructure.

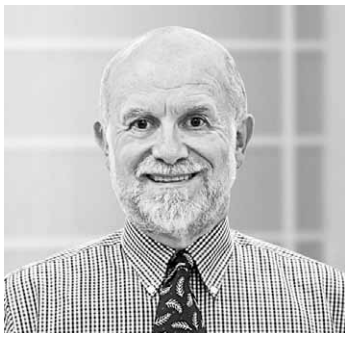
**GROWTH STRATEGY**

Point of Need clinical diagnostics is quickly emerging as a highly attractive market segment. QIAGEN is actively working on assays and collaborations to address urgent needs in emergency healthcare, intensive care and diagnostic applications in a variety of disease states.

**2010 HIGHLIGHTS**

QIAGEN gained a pioneering technology for Point of Need testing with our acquisition of ESE GmbH. Portable, battery-operated optical measurement devices permit low-throughput molecular testing with ease of use and ultra-fast time to result. We are exploring applications and developing partners to commercialize this innovative approach.

# » A TREMENDOUSLY POSITIVE IMPACT ON PATIENT CARE «



**Joseph M. Campos**, Ph. D., DABMM, FAAM
Director, Microbiology Laboratory, Molecular Diagnostics Laboratory, and Laboratory Informatics
Children's National Medical Center, Washington DC

### What impact did molecular technologies have on your work?

Here at the Children's National Medical Center, we use molecular tests primarily to diagnose infectious diseases. Such tests have brought us two major benefits: shorter turnaround time for diagnostic results and improved accuracy. These benefits have had a tremendously positive impact on patient care.

### What concrete benefits do molecular technologies offer over traditional methods in your specific field?

The largest benefit is the reduction of the time it takes to generate actionable results. Molecular approaches also help to reduce costs for the hospital as a whole. While the laboratory costs for molecular testing may be higher than for cultures, these additional costs are more than offset by reducing the length of stay for patients, thus vacating hospital beds that become available for new admissions.

### What is needed to drive their further adoption?

Molecular testing platforms need to be simple to operate and as automated as possible. This will make molecular testing feasible for more laboratories. The next thing is to broaden the test menu. The more assays can be performed on a single platform, the more attractive it becomes to a wider variety of laboratories.

### Where do you see future potential for molecular diagnostics?

Future molecular tests will more closely mimic the approach used by cultures. One can envision microarrays for different applications, in which virtually all pathogens are targeted, just as they are when we inoculate cultures with these specimens. Microarrays would also help to recognize virulence factor and antimicrobial resistance markers, giving physicians valuable clinical information. Targeted sequencing will enable extremely accurate identification of pathogens and early recognition of mutations that increase the virulence or antimicrobial resistance of pathogens. Whole genome sequencing will eventually become affordable and doable in diagnostic laboratories.

# Making Improvements in Life Possible

From a hospital in England to a pharmaceutical laboratory in China, from a rural village in Zimbabwe to the Mayo Clinic in the United States – the revolution in molecular biology is transforming our understanding of healthcare and research, and enabling novel applications in numerous areas of everyday life. Our Sample & Assay Technologies are benefitting patients and doctors, scientists and regulators, police and even farmers. Around the world, QIAGEN is making improvements in life possible.

A man tinkers with a peculiar-looking camera, one that appears as if it were from the beginning of photography in the 19th century. He spends a few minutes exploring lab benches and shelves filled with dozens of plastic bottles, pipette tips, sample holders, little stands and centrifuges. Then he meticulously checks the lighting, and disappears again under the silver cover hanging from his camera. Each release of the camera shutter immortalizes a picture on huge film plates; the results for now remain hidden.

The man under the silver cover is the world-famous artist Thomas Struth, whose global search for "Modern Machine Rooms" brought him to QIAGEN's largest research center in Hilden, Germany. By exploring the research and development process, Struth wants to break through the complexity of modern technologies, many of which the users of the finished products cannot even identify.

The man is a good observer.

**Complex Yet Simple**

"Molecular technology is becoming ever more capable of delivering better performances and ever more complex; but the applications, on the other hand, are becoming simpler and easier to use," said Dr. Joachim Schorr a few weeks later.

As Senior Vice President Research and Development, Dr. Schorr has been leading QIAGEN's global R&D activities for the last 12 years. From his office in Hilden, he guides the activities of 740 employees at nine locations around the world who are working on developing new technologies for the processing and analysis of genetic information.

"What we do here, after all, is to transform breakthrough scientific findings into easily usable and standardized technologies so that these advances can be of use to as many users as possible," he said.

Driven by this aspiration, which has remained consistent since its founding in 1984, QIAGEN has become the global leader in Sample & Assay Technologies thanks to the dedication of its more than 3,600 employees at over 30 locations worldwide. QIAGEN's offering of more than 500 core products, which include consumable kits as well as instruments that automate complete laboratory workflows, is critical to more than 500,000 customers around the world involved in molecular diagnostics, the pharmaceutical industry, academic research and applied testing. They all share a common objective: transforming biological samples into valuable molecular information. At QIAGEN, providing these highly advanced technologies helps us fulfill our vision of making improvements in life possible.

Scientists at QIAGEN's application lab help customers to adjust test protocols to their specific needs.

A quick tour of customers around the world shows how QIAGEN innovations are transforming medicine, research and other areas of life – and highlights the future promise of molecular technologies.

## Molecular Diagnostics – transformation in healthcare

Some 600 kilometers away from the R&D headquarters in Hilden is the English town of Cambridge, where the Health Protection Agency is using an advanced QIAGEN system at Addenbrooke's Hospital. A futuristic device – about two meters wide and one meter high – sits atop a bench inside a laboratory. The rounded acrylic glass covers enable an extensive look inside the machine, whose front panel is decorated with blue LED lights and a touch screen. Next to it is a smaller device with a keyboard and flat-screen computer monitor. A lab technician walks over and inserts a rack full of test tubes, the contents of which are largely hidden behind anonymous bar codes, into the left side of the machine.

Behind every one of those secure bar codes are urgent and potentially life-and-death answers for a patient, someone wanting solutions to pressing questions: Is the donor kidney free of viruses and appropriate for transplantation? Does a colon cancer tumor contain a genetic mutation that would enable the patient to benefit from a targeted therapy? Are the patient's symptoms the harbinger of an infection involving the life-threatening HIV virus?

The device will provide the answers.

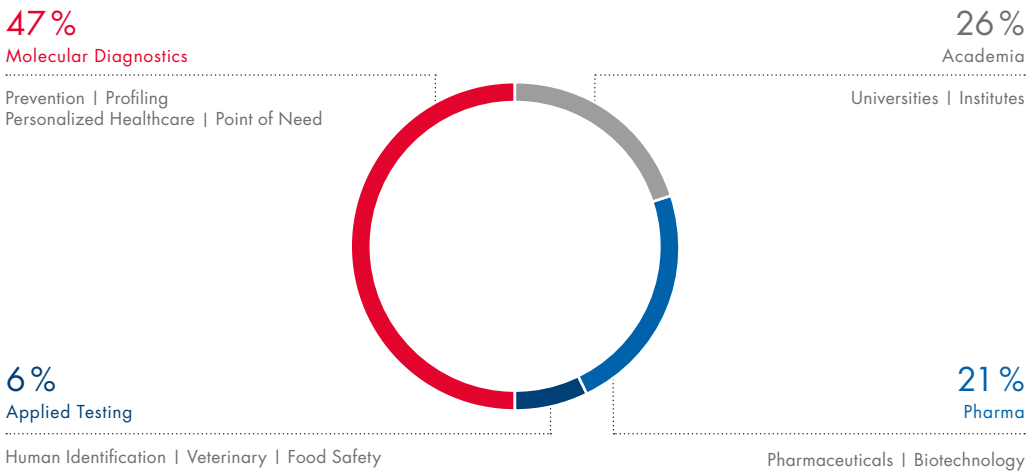
### QIAsymphony Setting Standards

As the lab technician walks away, the machine's robot arm swings into action and begins a series of complex movements, all done with sharp precision to send a sample from each tube on its way for analysis. A few hours later, the lab technician returns to the device and begins to assess results shown on the flat-screen monitor, often in the form of colorfully lit curves.

The device in this laboratory is the QIAsymphony RGQ, the most important of 86 new products launched in 2010 and the flagship of QIAGEN's

86
new products launched in 2010

LEADING POSITION – MULTIPLE GROWTH DRIVERS – 2010 NET SALES




entire portfolio of instruments. For the first time, the two initial modules of QIAsymphony have been merged together with a novel detection technology that forms a clinically validated platform supported by a broad range of molecular tests. QIAsymphony RGQ brings together the prize-winning SP module (introduced in 2008) for sample preparation and the AS module (introduced in 2009) for preparation of the analytical reaction with Rotor-Gene Q. This instrument, a real-time PCR detection technology, had been available as a standalone unit but has now been fully integrated into the platform's workflow.

"QIAsymphony RGQ is simply unique: No other modular system exists today that can automate entire workflows in a molecular laboratory," said Dr. Wolfgang Leibinger, who had a crucial role in the development of QIAsymphony and is now responsible for QIAGEN's instrument portfolio as Vice President Head of Global Product Management Integrated Systems.

"Whether it be from the initial steps of preparing, isolating and purifying samples such as blood or tissue, through to the precise set-up of the analytical reaction and then to the final test results: All workflows on QIAsymphony RGQ are automated to the point that even a lay person could quickly learn to use it. At the same time, this is an extremely flexible system, even providing users the option of developing and performing their own tests. So for those laboratories considering whether to begin molecular testing, QIAsymphony RGQ justifies the business case to do so. It is exactly this combination of features that makes this system so interesting for our customers and will drive the dissemination of molecular technologies in healthcare."

Molecular Diagnostics, one of QIAGEN's four customer classes, involves the testing of people for specific diseases active in the body or health conditions based on genetic information such as DNA or RNA. These testing methods have significant advantages over traditional diagnostic procedures, particularly in terms of speed and accuracy. While a bacterial culture, for example, must be cultivated for weeks, a Molecular Diagnostics test provides results in a few hours. An immunological analysis can overlook an infection, but even a few traces of a target pathogen are sufficient for detection with a Molecular Diagnostics test.

### Molecular Diagnostics Dissemination

Molecular diagnostic technologies can also provide novel insights into the progression of a disease that were simply not possible in the past.

As a result, molecular technologies are becoming ever more important in modern healthcare:

With a market volume of $4.5 billion and 10–15% annual growth, they already represent the most dynamic segment of the global in vitro diagnostics market. Molecular Diagnostics is also one of the fastest-growing customer classes, already representing approximately half of QIAGEN's sales in 2010. Within this customer class, QIAGEN is focusing on four areas with different demands:

- Prevention involves regular screening of asymptomatic patients to identify potentially serious diseases, such as the HPV virus that causes cervical cancer in women, as early as possible and to enable treatment decisions.
- Profiling involves producing accurate, quantifiable results from tests that search for the presence of a broad range of infectious diseases.
- Personalized Healthcare involves the use of molecular technologies once a disease has already been diagnosed to select the best treatment based on a patient's individual genetic information.
- Point of Need involves molecular testing with portable devices in areas without access to a laboratory infrastructure, such as emerging markets, or where results are required as quickly as possible–such as in intensive care and emergency medicine.

"We have a very strong presence in all of these areas, and are constantly developing our market and technology leadership," said Dr. Ellen Sheets, a former Harvard professor, physician and diagnostics industry executive who became Chief Medical Officer of QIAGEN in July 2010.

Medical professionals and health experts see enormous potential for dramatically improving the quality of healthcare through Molecular Diagnostics, while also acknowledging that these opportunities are not being fully exploited. In fact, only 2% of all healthcare expenditures are estimated to involve diagnostics despite the fact that diagnostics can determine up to 80% of expenditures on therapies.

2%
of all healthcare expenditures involve diagnostics but drive...

80%
of decisions

In the future, many experts believe this relationship must shift in favor of diagnostics given the increasingly important role of genetic information in healthcare systems. The contributions of existing molecular diagnostics, such as HPV testing, which is one of the most important commercial molecular diagnostic applications with an annual market potential of more than $1 billion, underpin these expectations.

"Cervical cancer is a disease that can be prevented, but still every year some 500,000 women are diagnosed with this cancer, and unfortunately more than 300,000 women die from it," said Dr. Sheets. "The Pap test may be established in many Western countries, but it still detects on average only about half of all cervical cancer cases, particularly those at an early stage. This test by itself does not adequately identify women at risk or in need of treatment. In developing countries, meanwhile, the challenges involve the limits of medical infrastructure and specialist knowledge to implement wide-ranging screening programs. Thanks to HPV testing, we can overcome these challenges."

**Access to HPV Tests**

In 2010, QIAGEN was able to further expand access to this life-saving technology, with a particular emphasis on expanding market penetration in the U.S. and other key markets around the world.

"Our Hybrid Capture test is the gold standard for the detection of HPV."

Dr. Ellen Sheets, Chief Medical Officer of QIAGEN

"More than 40% of all women in the U.S. are now receiving the HPV test in combination with their Pap test during physical exams, and this trend continues to improve as patients and physicians gain even greater appreciation about the benefits," Dr. Sheets said. "In other Western countries, the enormous clinical, social and economic value of HPV tests is being increasingly recognized. In fact, several emerging countries are relying only on HPV tests while implementing national screening programs."

QIAGEN is enabling access to HPV testing in less-developed countries with a special version that is being implemented in cooperation with PATH and the Bill and Melinda Gates Foundation. The *care*HPV test can be performed without running water and electricity, is transportable and easy to use, and delivers results within a few hours, meeting a core demand of effective patient management. QIAGEN reached an important milestone during 2010 by gaining a CE mark (declaration of conformity) for *care*HPV and preparing regulatory submission in other countries, with a target set for market introduction in the second half of 2011. These activities were accompanied by the development of several regional screening projects in developing and emerging countries that can serve as models for national programs. One example was in the Indian city of Kolkata, where a cooperation with the Chittaranjan National Cancer Institute led to the testing of 50,000 women over a five-year period with the help of QIAGEN.

At the same time, it is clear that the vast majority of HPV test volumes will continue to be used in developed countries and analyzed in high-throughput laboratories with a different set of needs.

"Every day, centralized laboratories in industrialized Western countries process thousands of standardized samples, which are then examined for a defined set of molecular goals, as part of disease prevention initiatives," Dr. Sheets said. "The efficiency, speed and reliability of these procedures are the highest priorities for our customers. The key issue is how to optimally use scarce resources such as staff, time and laboratory space to deliver the most reliable and consistent results."

QIAGEN is working on an answer with development of QIAensemble, a next-generation automation platform for use in high-volume screening. QIAensemble is being developed to enable customers to increase the speed and automation of processing HPV tests while also enabling them to add other prevention tests to the platform. Among the team's objectives for QIAensemble are to further improve automation of the existing HPV assay as well as develop new assays for testing of women for chlamydia and gonorrhea. Innovative tests are also being considered for early disease detection, such as for colon cancer.

"Our Hybrid Capture test is the gold standard for the detection of HPV – we do not see this changing even when new competing products are introduced – and QIAensemble will help us further consolidate our strong competitive positioning in disease prevention screening," Dr. Sheets said.

**Disseminating Technologies**

In the areas of Profiling and Personalized Healthcare, Dr. Sheets believes QIAsymphony RGQ can drive greater use of molecular technologies.

MOLECULAR DIAGNOSTICS – QIAGEN`S FOUR "P" FRAMEWORK

| LABORATORY-BASED TESTING | | | PORTABLE TESTING |
|---|---|---|---|
| PREVENTION | PROFILING | PERSONALIZED HEALTHCARE | POINT OF NEED |
| **QIAensemble / QIAsymphony**<br>Asymptomatic patients<br>Goal: Early detection<br><br>**Market needs**<br>Screening market<br>Mid-high throughput (QIAsymphony)<br>High-ultra-high throughput (QIAensemble)<br><br>**Assay technologies**<br>Examples: HPV, Chlamydia (CT) / Gonorrhoeae (NG), Trichomonas, Vaginosis panel | **QIAsymphony**<br>Symptomatic patients<br>Goal: confirm<br><br>**Market needs**<br>Single patient testing<br>Mid-high throughput<br>Highest flexibility<br><br>**Assay technologies**<br>Examples: CMV, EBV, HBV, HIV, HCV, Influenza | **QIAsymphony**<br>Pre-diagnosed patients<br>Goal: Guide therapy<br><br>**Market needs**<br>Single patient testing<br>Low-mid throughput<br>Highest flexibility<br><br>**Assay technologies**<br>Examples: KRAS, EGFR, BRAF, PI3K, Pathogen Genotyping | **ESEQuant Tube Scanner**<br>No lab reachable<br>Goal: fast result, on spot<br><br>**Market needs**<br>Rapid turnaround<br>Low throughput<br>Versatile tests<br><br>**Assay technologies**<br>Examples: *care*HPV, HAI, Influenza |

QIAGEN wants molecular testing to become part of routine clinical practice for physicians who, like the Health Protection Agency in Addenbrooke's Hospital in Cambridge, are looking for answers to combat diseases quickly and efficiently. At this hospital, practicing medicine without molecular procedures and the QIAsymphony platform would be almost unimaginable now.

"If you wish, the area of Profiling can be seen as the germ cell of Molecular Diagnostics," said Dr. Helge Lubenow, who is Vice President Molecular Diagnostics at QIAGEN. Dr. Lubenow started her career at QIAGEN 14 years ago in R&D, and has been deeply involved in the development of this market along with the transformation of our business. QIAGEN started developing its current portfolio for Molecular Diagnostics in 2005 with tests for the detection of infectious diseases.

"Molecular tests are unparalleled in accuracy and reliability. This is precisely the reason why molecular diagnostics plays a central role in detecting dangerous and highly infectious pathogens such as HIV or hepatitis," Dr. Lubenow said.

## Leader in Infectious Disease Testing

Now there is hardly a single relevant viral or bacterial pathogen for which a suitable molecular test does not exist. QIAGEN is considered the market leader in Profiling with more than 120 assays available for detection of the most varied pathogens, in some cases as the only commercial provider of appropriate tests in certain markets. If new pathogens appear, such as new strains of avian and swine flu, QIAGEN can quickly develop and offer appropriate assays thanks to this know-how.

120
assays available

QIAGEN launched the fully automated QIAsymphony RGQ platform in Europe in late 2010; all of these infectious disease assays can be transferred to this platform due to the integration of Rotor-Gene Q. In contrast to other systems, another important competitive advantage is that customers can use their own tests on QIAsymphony RGQ as well as QIAGEN test kits, which are easy to use and guarantee the highest possible degree of reliability. In Europe, QIAsymphony RGQ has been launched with several validated tests approved for clinical use to detect viruses such as hepatitis and HIV as well as for organ transplantation. Development of additional tests for Profiling and Personalized Healthcare is moving ahead, with additional market introductions planned in Europe for 2011.

QIAGEN is also rolling out QIAsymphony RGQ in the U.S. An important step in that effort was

an agreement reached in October 2010 with Abbott, opening access for QIAGEN to HIV and hepatitis C tests in the North American market. Abbott will supply QIAGEN with HIV molecular tests to market under the QIAGEN name. In the case of hepatitis C (HCV), the test will be sold under the Abbott brand in a version specially optimized for QIAsymphony RGQ. Both tests are under development and will require U.S. regulatory approvals before market launches. QIAGEN has its own development projects under way to add additional molecular tests to QIAsymphony RGQ for the U.S., including assays for hepatitis B, the Epstein-Barr virus (EBV) as a pathogen for mononucleosis, and cytomegalovirus (CMV), which is especially dangerous for solid organ transplant recipients and pregnant women.

Only 20-25% efficacy

of medicines for Alzheimer's or cancer treatment

"Our customers are looking for procedures that are quick, cost-efficient and reliable. The more tests are available for our QIAsymphony RGQ, the higher its utility for our customers," Dr. Lubenow said. HIV and HCV are among the most requested molecular tests in the U.S. with a market value of $180 million and $140 million, respectively. Laboratories pay attention to the development of infrastructures for Molecular Diagnostics to ensure that the systems support these test parameters, provide flexibility and are viable for the long term.

In Profiling and Personalized Healthcare, next-generation platforms must accommodate numerous different types of biological samples, such as blood, tissue or saliva, process them in a specific sequence and test them reliably and efficiently for various targets. QIAsymphony RGQ was developed precisely to address these demands and drive the dissemination of molecular testing.

The potential to drive greater use of molecular technologies is enormous. Only about 10% of all hospital laboratories in the U.S. are estimated to conduct molecular diagnostic testing. The trend to automation and simplification of workflows further underpins this anticipated expansion. More than 450 QIAsymphony systems are now placed around the world, and the number is expected to rise sharply in the coming years, according to Dr. Leibinger, who helped develop this platform.

Personalized healthcare, which links therapies and diagnostic tests to develop customized treatment strategies for individual patient groups, is another factor driving proliferation of molecular technologies. This transformation of clinical practice reflects the fact that many medicines often fail to achieve their desired effect in about half of the patients. In some diseases, such as Alzheimer's or cancer, the figures are even worse, with estimates regarding efficacy as low as 20–25%. Furthermore, the use of many medicines can result in dangerous side effects, which can cause life threatening conditions.

**Divergent Profiles**

The reasons for such divergent responses to medicines lie in the fact that each person has a different genetic make-up, but this can now be precisely documented and analyzed thanks to molecular testing. These tests are developed to identify specific biomarkers in a patient, which then enables the physician to determine which medicine would be most appropriate for treatment. The initial use of these molecular tests has been in cancer, but is now expanding to other disease areas.

"In terms of contribution to sales, Personalized Healthcare is still quite a small segment for QIAGEN, but one with dynamic growth potential," said Dr. Stephen Little, Vice President Personalized Healthcare, who is considered one of the pioneers and global opinion leaders in the field of personalized medicine. "The enormous potential for savings from companion diagnostics, which is estimated by some experts to exceed $350 billion annually, is not

QIAGEN is the world leader in Sample & Assay Technologies, which are essential to enabling access to valuable molecular information.

being challenged. Instead, the question is how fast can these tests be developed and provide significant benefits to patients as well as physicians, healthcare payors and pharmaceutical companies."

QIAGEN has become one of the leading global providers of companion diagnostics due to accelerated investments in development and the September 2009 acquisition of the British company DxS Ltd., which was founded by Dr. Little and his colleagues. The integration of DxS was completed ahead of schedule in 2010, which included the creation of a global center of excellence for companion diagnostics at the former DxS headquarters in Manchester, England. QIAGEN is now providing 20 tests for use in Personalized Healthcare and has more than 15 projects under way to develop companion diagnostics in collaboration with leading pharmaceutical companies such as Amgen, AstraZeneca, Boehringer-Ingelheim, Bristol-Myers Squibb and Merck.

"These research collaborations are very important for both sides," Dr. Little said. "As an independent diagnostics company, we can provide pharmaceutical companies with early insights on their development pipelines, develop and validate appropriate tests for their medicines during the clinical studies and then market them in combination with the medicines after regulatory approvals. The pharmaceutical companies benefit from our expertise in this area. We can help them accelerate their clinical studies by better selecting appropriate patients and increase the chances for success in developing new medicines."

QIAGEN's strength as a partner goes beyond proven expertise in the development of molecular tests and a broad technology portfolio. QIAGEN also offers a global presence with strong distribution channels, experience in gaining regulatory approvals for new products and, above all, independence. On this basis, QIAGEN was able once again in 2010 to increase the number of active partnerships in Personalized Healthcare as well as achieve significant advances in existing projects.

$ 350 billion

estimated to be spent annually on ineffective medicines


Testing for KRAS mutations has rapidly become the standard of care for patients suffering from metastatic colorectal cancer.

Up to
$ 50,000
per treatment cycle for
many cancer medicines

**Landmark Diagnostic**

A highlight is QIAGEN's test for the detection of mutations in the so-called KRAS gene, which allows information to be obtained on the potential treatment success of the colon cancer medications Vectibix by Amgen and Erbitux by Merck / Bristol-Myers Squibb. Since treatment with these medications can cost up to $ 50,000 per therapy cycle, and also due to potential side effects, many healthcare payors and regulators are requiring preliminary testing be done before use of the treatments.

QIAGEN was chosen as the partner for the development of companion diagnostics by the manufacturers of both medications. In 2010, QIAGEN achieved an important milestone by initiating the modular submission to the FDA for use of the KRAS test in combination with Vectibix. This submission is expected to be completed in the first half of 2011.

"This is the first time that a diagnostic test is being submitted in combination with a medicine for an approval, so this is a key milestone in the development of Personalized Healthcare and has implications for the industry as a whole, not least because we are also setting the benchmark for approval of future molecular tests in conjunction with therapies," Dr. Little said.

The discovery and validation of new biomarkers, such as KRAS, for molecular diagnostic tests that guide the use of medicines have set in motion a trend that will have lasting impacts in the healthcare industry. QIAGEN is developing several tests based on genetic, epigenetic and gene expression markers – such as BRAF, EGFR and PI3K – that play key roles in the growth and life cycle of tumor cells in numerous types of cancer and that can provide information on the expected efficacy of modern therapies to hinder or stop tumor growth.

**Novel Biomarkers**

Key to future growth in this area will be gaining proprietary access to biomarkers most relevant to drug discovery and development. In early 2010, QIAGEN acquired a globally exclusive license for PI3K with John Hopkins University in the U.S. QIAGEN has also created alliances with external partners, such as the Dutch com-

pany Genome Diagnostics, which has developed six new tests to detect genetic variations in the so-called human leukocyte antigen complex (HLA) since mid-2010 together with QIAGEN. The tests are based on QIAGEN's proprietary pyrosequencing technology; after completion in 2011, these tests are planned to be integrated into applications both in Prevention and Personalized Healthcare, areas in which HLA testing plays an increasing role.

The pipeline of new tests in Personalized Healthcare is being fed primarily by research into molecular biomarkers, which provide information on the emergence and course of diseases, as well as the efficacy and safety of medications.

"Oncology is assuming a pioneering role in this respect, since the molecular foundations of many types of cancer are well-researched and at the same time a high degree of suffering persists," Dr. Little said. "The next stage in development is autoimmune diseases as well as diseases of the cardiovascular and central nervous systems, which still represent huge challenges to modern medicine. We are also working toward a systemic approach for the analysis of entire biomarker panels, which could provide even more precise information on the personalization of therapies."

**New Diagnostic Targets**

Only a few companies are currently pursuing this approach. In early 2011 QIAGEN invested in one of these, the Berlin-based company Alacris Theranostics GmbH, acquiring a strategic minority interest. This spin-off from the Max Planck Institute for Molecular Genetics, and which also includes a founder from Harvard Medical School, uses a proprietary system that identifies biomarkers that could be valuable for personalizing medicines from vast amounts of genetic data. The aim is to accelerate the search for new biomarkers and assess their potential clinical validation. The agreement assures QIAGEN an exclusive option on all biomarkers that emerge from Alacris, which gains this information by reviewing extensive genetic information from patients to make treatment recommendations. These biomarkers can then be used to develop tests for QIAsymphony RGQ.

"Oncology is assuming a pioneering role in Personalized Healthcare."

Dr. Stephen Little, Vice President Personalized Healthcare

"Perhaps one day we will even see molecular diagnostic tests that can be performed in the pharmacy, the doctor's office or, with respect to dosing, even by the patient at home," Dr. Little said.

It is quite conceivable that the appropriate molecular tests will be as straightforward and simple to manage as blood sugar measurements are today. On top of the research and validation of the appropriate biomarkers, such applications in personal medicine would need suitable detection devices for on-site testing, which could run the test procedure in a few minutes at the touch of a button.

QIAGEN gained access to a technology in early 2010 with its acquisition of ESE GmbH of Stockach, Germany. ESE is considered a pioneer in Point of Need testing, and set an early standard with its ESEQuant Tube Scanner. This device, which is about the size of an office phone, uses a unique fluorescence detection technology. The scanner enables detection of molecular targets at the touch of a button in only 5 to 15 minutes. The portable and affordable instruments can be battery-operated, and

can detect several molecular targets with only one test run.

"The demand for Point of Need testing systems is growing, particularly in many places where no laboratory infrastructure is available or urgent test results are required to answer important diagnostic questions," said Dr. Victoria von der Decken, QIAGEN's product manager in this field. Point of Need testing scenarios include emergency and intensive care medicine. QIAGEN has evaluated a variety of test parameters in these areas during 2010, and is working on their implementation as initial commercial diagnostic applications for Point of Need testing. QIAGEN had previously verified the suitability of the system for the on-site detection of infectious disease targets such as salmonella, E. coli or influenza.

In addition to in-house development of Point of Need testing, alliances with external partners play an important role in QIAGEN's marketing strategy for on-site testing systems. "The fundamental technology is extremely versatile. It is exciting to see which applications other companies and organizations are implementing based on this standard," Dr. von der Decken said.

"The demand for Point of Need testing systems is growing."

Dr. Victoria von der Decken, QIAGEN product manager

As an example of applying this technology, the German company EyeSense is developing a novel ophthalmologic approach for pain-free blood glucose measurement in patients with type 2 diabetes via the human eye. This test uses a non-invasive sensor technology, eliminating the need for frequent and often painful blood testing. QIAGEN made a strategic investment in EyeSense in early 2011 and will support further development of this system, which is planned to be launched in 2013.

## Applied Testing – safeguards for our daily lives

The use of molecular technologies for Point of Need testing extends beyond in vitro diagnostics to improve human healthcare – even as far as a small village in Zimbabwe, where rusted metal parts on dusty, sun-scorched ground are signs of the rudimentary conditions facing people in this country.

A few goats are running around; a small group of curious onlookers gather around a table. They are looking at an open-air, but highly technical, mini-laboratory consisting of a laptop, QIAGEN's ESEQuant Tube Scanner, a pipette and several sample vessels on the table. This demonstration is part of a dramatic application of the ESE technology taking place in 35 developing countries through a pilot project initiated in 2010 by the Food and Agricultural Organization (FAO) and the International Atomic Energy Agency (IAEA). The goal is to combat widespread livestock diseases that threaten the food supply and the health of people in countries such as Zimbabwe.

**Portable Technology**

QIAGEN's ESEQuant Tube Scanner can make a major contribution to the quick and accurate detection of animal diseases such as avian flu, small ruminants' plague and stockyard fever. Early detection can curtail or prevent the spread of these serious diseases, which minimizes health and economic impact on humans.

Veterinary applications such as these are a key part of the Applied Testing customer class for QIAGEN, which also includes human identification and forensics as well as food testing. Applied

Applied Testing offers solutions in areas such as veterinary applications, human identification, forensics, and food testing.

Testing encompasses industrial applications of molecular technologies while still forming a link based on innovation to the Molecular Diagnostics, Pharma and Academia customer classes.

"In applied testing procedures we are dealing with professional users, just as in other areas of molecular technologies. They place considerable demands on ensuring efficient and reliable testing methods. In fact, many areas are regulated by government agencies, so the standards are very high. After all, when answering questions concerning the identity of perpetrators and victims, food security or the health of livestock, one cannot run the risk of errors," said Dr. Dietrich Hauffe, Vice President and Head of Applied Testing. "At the same time, the market is highly focused on innovation, so that findings from basic academic research quickly find their way into daily applications."

Technological advances are critical for driving business expansion – and to spread the application of molecular technologies into an increasing number of areas in daily life. The easier, faster and more affordable the applications become, the broader and more diverse the options for their use.

**Dynamic Growth**

"Biotechnology is similar to the development of the IT industry. In early days, computers filled entire rooms and were operated only by experts. Now you have that same computing power in every smartphone," Dr. Hauffe said. "Today you have an ever-increasing number of IT applications that were almost inconceivable for the user a few years ago. Molecular technology is developing in the same pattern."

Rapid technological advances and recent years of double-digit sales growth in Applied Testing, which rose 22% at constant exchange rates in 2010, substantiate Dr. Hauffe's assessment. Although this customer class only represented 6% of QIAGEN's sales in 2010, QIAGEN has been steadily expanding and investing in Applied Testing. For example, QIAGEN has introduced a series of products to meet growing demand in varied segments of this customer class, enlarging the product portfolio in 2010 with applications in forensics and food safety testing.

+22%

2010 sales growth in Applied Testing

QIAGEN's point of need testing systems enable access to molecular technologies even in remote areas without a laboratory infrastructure.

In applications for human identification and forensics, QIAGEN has primarily been known for its technologies for extraction of nucleic acids, particularly from difficult sample materials such as bone fragments. In 2010, QIAGEN launched more than 10 new products that are improving automation and cover the entire process chain from start through to the final analysis of trace materials. A competitive advantage is that these tests comply with new European standards providing for data exchange between national DNA databases and the international prosecution of serious crimes in Europe.

"Before these new standards, various areas of the human DNA were analyzed for human identification in Europe, so the results were not necessarily directly comparable," Dr. Hauffe said. "This new standard will greatly improve procedures and lead to better testing results. This is an interesting area for growth given that these new technologies are only beginning to be implemented and are of interest to countries outside Europe as well." QIAGEN's human identification product portfolio is also being supplemented by tests based on a novel technology that allow for the creation of a genetic fingerprint even if the DNA has been severely damaged, as is often the case of victims involved in natural disasters or major accidents.

QIAGEN's portfolio in food testing also was considerably expanded in 2010. QIAGEN acquired 70 testing procedures from the Berlin-based Institut für Produktqualität (Institute for Product Quality) that permit the detection of bacterial and viral pathogens, allergens, genetically modified organisms and other pollutants in food based on PCR (polymerase chain reaction) technology. Testing procedures for the protection of food supplies are becoming increasingly important to manufacturers and government agencies given the globalization of product flows and the rising number of food scandals.

Only 15–20% of the current food testing market, which is estimated at more than $2 billion annually, involves PCR-based procedures. The first of some 70 new QIAGEN products for use in detecting common pathogens such as salmonella and listeria were introduced at the end of 2010, and this portfolio is expected to be fully developed

by the end of 2012. QIAGEN's automation platforms, including QIAsymphony RGQ, will offer customers the opportunity to develop complete workflows in food testing laboratories, just as is possible today in forensics.

"We set a strategic course in 2010 to sustain, and even increase, our pace of growth in Applied Testing. We have quite a few plans for 2011 and will continue to work on expanding our portfolio, particularly in veterinary testing," Dr. Hauffe said. "This will come through a mixture of our own development initiatives as well as targeted acquisitions and strategic partnerships. We are committed to developing new markets and application opportunities for our technologies."

## Pharma – better, safer medicines faster

Partnerships are the key to success in other fields as well – in the global pharmaceutical industry, collaborations are changing everything. The hundreds of scientists at WuXi AppTec in Shanghai understand this all too well. On WuXi's 100,000 square-meter campus in Shanghai, scientists are researching molecular foundations of diseases, as well as active ingredients, development of medications and potential side effects of the new agents. The special factor: WuXi runs all of these projects not in its own name, but on behalf of national and international pharma companies, which are increasingly calling upon the services of contract research organizations such as WuXi to streamline and accelerate their development processes. Partnering relationships clearly are the foundation for the business model.

Here in Shanghai, the economic trends of the pharmaceutical industry – including consolidation, outsourcing and efficiency enhancement – are driving collaboration between major companies and external service providers. Under the pressures of rising costs and risks, large portions of research and development are increasingly migrating to external organizations such as WuXi. Pharma companies are strengthening in-house pipelines through selective purchases or alliances with start-up firms that lack the capacity to conduct clinical studies or to market their promising medications.

"We set a strategic course in 2010 to sustain our pace of growth in Applied Testing."

Dr. Dietrich Hauffe, Vice President and Head of Applied Testing

### Transforming R&D Processes

Against this backdrop, the R&D process itself is changing. Rapid advances in the decoding of molecular mechanisms for diseases are leading to the creation of an increasing number of medications. These drugs intervene in the human body at the level of individual molecules, attempting to influence gene activity or signal-forwarding in cells. The implication is that the entire research and development process – from the early phase of active ingredient development to clinical studies and approvals – is now driven mainly by molecular technologies.

A departure from the old entrenched approaches to molecular sampling and testing technology is desperately needed, believes Dr. Ted van der Lende, QIAGEN's Sales Director Pharma for Europe&North America. Ever greater investment in research and development is producing an ever smaller number of marketable products – there is a huge innovation gap. The 100 largest pharmaceutical groups pumped a total of $ 107 billion into their research pipelines in

2009. But only 21 drugs were approved in 2010 in the U.S., the largest healthcare market in the world, a rate similar to recent years. Pharma companies and societies are subjecting the risk-benefit profile of new medications to increasingly critical review due to exploding healthcare costs.

**Faster Development**

This is where QIAGEN's portfolio of molecular sampling and testing products comes in.

"Our technologies can help identify individual target molecules for therapies, thereby developing more efficient potential active agents," Dr. van der Lende said. "Molecular tests can also be used to determine the precise risk-benefit profile for specific patient groups." Molecular testing in drug development not only reduces the risks of side effects, but also allows a more focused approach to the approval of new medications based on personalized medicine. Pharmaceutical companies thus benefit from faster development cycles, significantly lower costs and greater chances of success in the approval of new drugs."

Since the beginning of 2010, WuXi AppTec has been relying on integrated solutions by QIAGEN to help the company in discovering and validating biomarkers, as well as identifying target molecules for new active ingredients. "QIAGEN's great strength lies in the fact that we can offer our customers integrated complete systems for the whole range of pharmaceutical research that cover all workflows in the laboratory, and at the same time are individually tailored to their specific issue," Dr. van der Lende said.

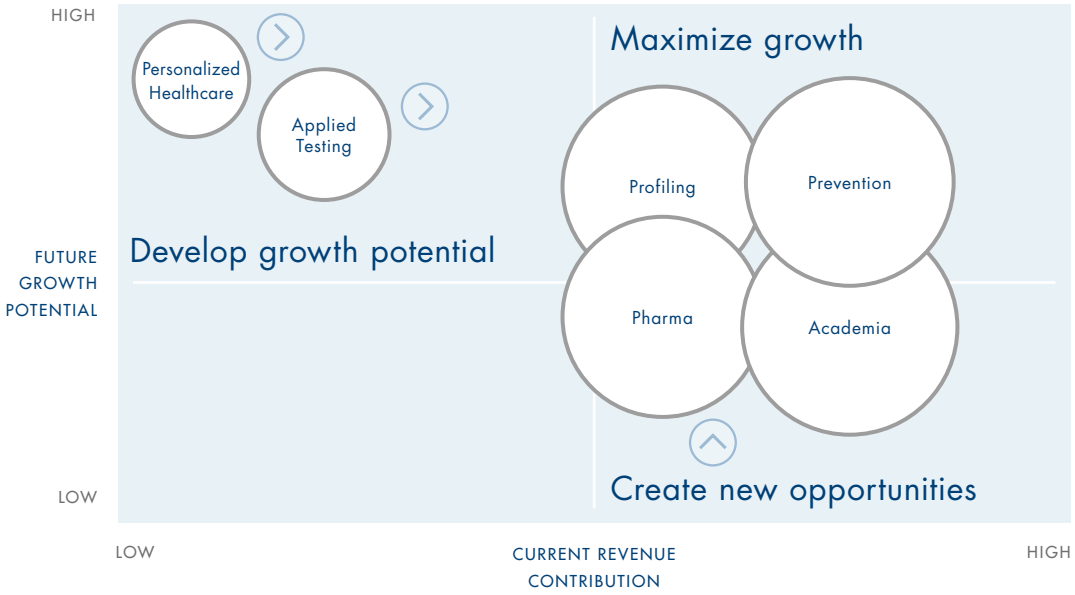
An important step in strengthening this competence was QIAGEN's 2010 integration – ahead of schedule – of SABiosciences Corporation following its acquisition in 2009. The market launch of more than 100 test panels developed by SABiosciences allows users in biomedical research to comprehensively analyze signaling pathways in the cell, which are associated both with normal physiological events and various diseases. The customer only needs to decide which diseases or events in the cell are of interest. QIAGEN supplies the appropriate test panels to selectively analyze all of the molecules involved. "Instead of tediously looking for a suitable solution, our customer simply tells us what his question is. We then hand him the right tool to answer this question," Dr. van der Lende said.

The result is to significantly advance the identification and validation of relevant molecular targets and biomarkers. These biomarkers can be used to select suitable patients for clinical studies in drug development and then, in collaboration with pharmaceutical companies, can be developed as companion diagnostics in conjunction with therapies for Personalized Healthcare. QIAGEN technologies create significant synergies for all parties.

## Academia – secrets of life and health

Advances in basic research open the door to entirely new approaches in the life sciences. The world-renowned Mayo Clinic is one place where the breakthroughs of academic science don't have far to go to influence the practical treatment of patients. Here in Rochester, Minnesota, a small city on the prairie a few hours' drive from the Canadian border and the Great Lakes, the Mayo headquarters fills two enormous building complexes. Under one roof, almost 30,000 scientists, doctors, students and other employees provide clinical care in examination, treatment and operating rooms; study and teach in the lecture halls of a medical and graduate school that trains M.D.s and Ph.D.s; and conduct cutting-edge research in the most modern research and diagnostic laboratories. At Mayo, what is conceived and researched

WELL-DIVERSIFIED GROWTH OPPORTUNITIES




**Fundamental Growth Drivers**

- Breakthroughs and insights into molecular biology
- New technologies to analyze molecular information
- Diagnostics improve health-care while reducing costs
- Increasing demand for quality Recurring revenue streams through consumable products

in the laboratory can be integrated a few halls away into the treatment of patients – one reason more than 500,000 patients a year seek out the medical expertise of Mayo and its branches in Florida and Arizona.

A case in point is the work Mayo is doing on microRNAs, or miRNAs – a class of nucleic acids encompassing approximately 1,000 molecules, which are important in controlling gene activity in the human body. Here in Rochester, scientists are pursuing the question of what precise role miRNA molecules play in diseases such as cancer, Alzheimer's, hepatitis C, heart failure and schizophrenia. And they are achieving some success: A link between certain miRNAs and aggressive forms of prostate cancer was recently proven. It is also now known that miRNAs can be used as early indicators and thus biomarkers for organ damage due to medications. Such findings from academic research help not only the doctors at Mayo, but also numerous companies engaged in the development of safe medications and innovative diagnostics.

"There are countless examples of how breakthroughs in academic research help in the development of commercial applications in other markets," said Karin Schulz, Vice President Head of Global Product Management Life Science at QIAGEN. "In the life sciences, academic research is undeniably the most important source of innovation. New trends are initially evidenced in this market, and standards are established first in the academic setting. It is precisely for this reason that proximity to academic research is of key importance to QIAGEN as a company."

### Roots in Academia

QIAGEN has been firmly rooted in the academic market since its establishment in 1984. The first focus of QIAGEN was on revolutionizing the then extremely time-consuming extraction and purification of nucleic acids, and our technologies smoothed the way to rapid progress in molecular biology. Then QIAGEN expanded into molecular testing technologies and, based on these core competencies, into other markets. QIAGEN is continuing the tradition today by working hand-in-hand with leading research


Innovative technologies such as pyrosequencing help academic researchers to achieve scientific breakthroughs and enhance our understanding of life.

scientists in developing and implementing innovative molecular sample preparation and testing technologies that facilitate new scientific breakthroughs.

DNA sequencing technologies are now playing an important role in academic research, and QIAGEN offers a technology for future generations in the form of pyrosequencing, which enables the decoding of short to medium-length DNA sequences. Pyrosequencing is also useful for directly recording and quantifying so-called methylation patterns – chemical modifications of DNA, which serve as on-off switches for individual genes. As the single proven technology in this field, pyrosequencing is of core significance in epigenetic research. Scientists are looking to pyrosequencing, among other things, for answers in the early identification and treatment of cancer.

In 2010, QIAGEN experienced significant success in expanding these activities. "Since the acquisition of pyrosequencing in 2008, we have more than doubled the number of installed systems, and in 2010 we saw double-digit growth in this area," Schulz said. New products that enhance the value of the pyrosequencing platform for research applications, especially in oncology and microbiology, have contributed to this success. These include special testing procedures for the analysis of DNA methylation patterns, which QIAGEN launched in 2010 for the entire human epigenome. The technologies offer a comprehensive portfolio of tests to verify mutations in cancer-relevant genes, such as KRAS, EGFR and BRAF, which QIAGEN continues to expand with additional biomarkers such as MGMT and UGT 1A1.

QIAGEN also addressed the strong interest in sequencing technologies with the SeqTarget product series, a dedicated solution for the preparation of samples in sequencing applications, in 2010. QIAGEN's technology permits targeted accumulation of even longer DNA sections, which significantly speeds up the analysis process, while making it more efficient. New products for extraction of genetic information from tissue samples, which have previously been treated with paraffin and formalin, are also used in sample preparation.

Treatment with paraffin and formalin allows long-term storage of samples in tissue banks, but hampers the extraction of DNA and other molecules for later analysis, particularly as frequently there is only a small amount of material available. QIAGEN's new products facilitate this process by maximizing the yield of genetic information and thus increasing the reliability of results – a big advantage for cancer research and other fields.

## QIAGEN – innovations for the molecular revolution

The demand for innovative molecular technologies shows no sign of abating, but instead seems to accelerate – not just in academic research, but across all of QIAGEN's customer classes.

"Innovation will always remain the foundation for driving growth in our industry," said Dr. Schorr, who has decades of experience in molecular biology and has played a key role in the development of many novel ideas into commercialized products. "Every new idea is not just a response to the wishes and requirements of our customers, but it can also create pathways for completely new applications. All of these activities will further advance the dissemination of molecular technologies."

### Driving Innovation and Growth

This dynamic has contributed to QIAGEN's rapid growth during the past 25 years, including a 700% increase in sales during the last 10 years Consistently high investment in R&D – which represents approximately 12% of QIAGEN's sales – is essential to this growth strategy. And the innovation formula works: The output of Dr. Schorr's team has been on average 70 to 90 new products annually for a number of years, contributing to QIAGEN's organic growth.

Key factors in this growth, Dr. Schorr said, are QIAGEN's proven innovation cycles that go beyond just the work of scientists to also include from the beginning marketing specialists, production managers and colleagues who monitor the implementation and marketing of these innovations.

Dr. Schorr and all of his more than 3,600 colleagues around the world are well-equipped for future challenges: "The limits of the molecular revolution are unimaginable. In principle, our job is simple – we want to transform this complex knowledge into technologies that can be used by people around the world to make improvements in life possible."

700%

increase in QIAGEN's sales during the last 10 years

# HOW DO WE SECURE OUR FOOD SUPPLIES AND PROTECT PUBLIC SAFETY?

## NEW APPLICATIONS FOR MOLECULAR TESTING

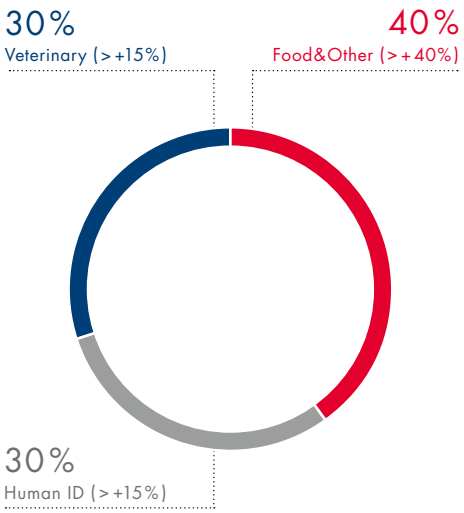
Applied Testing represents all areas not related to human healthcare and academic or pharmaceutical research. This segment primarily involves human identification and forensics as well as veterinary and food testing.

Customers include law enforcement agencies and governmental protection laboratories, animal health organizations and veterinary testing laboratories, food safety bodies and large food makers as well as many private and governmental laboratories.

QIAGEN supports the entire laboratory workflows of these customers from initial sample preparation to final result based on these dedicated assay portfolios:

- *investigator* for human ID and forensics
- *mericon* for food testing
- *cador* for veterinary testing

## 2010 SALES DISTRIBUTION AND GROWTH RATES




Source: QIAGEN estimates

## 2010 HIGHLIGHTS

QIAGEN significantly expanded the product offering to these customers:

- Human ID and forensics Launch of more than 10 new tests that address new European standards and enable the analysis of heavily damaged traces using novel genomic markers.
- Food testing Acquisition of 70 PCR-based tests from ifp, a Berlin-based food testing company. First assays were launched in late 2010. Tests will allow for the detection of pathogens, genetically modified organisms, allergens and other contaminants.
- Veterinary testing Point of Need testing platforms are chosen to support an international pilot project of the UN Food and Agriculture Organization and the International Atomic Energy Agency to contain widespread livestock diseases in 35 developing countries.

## GROWTH STRATEGY

Molecular technologies are disseminating in everyday life. Standardization and automation of laboratory workflows are making advanced methods more efficient, reliable and easy to use for a growing variety of applications.

QIAGEN is at the forefront of offering automated platforms that cover entire workflows and address different processing capacity demands. We have built a broad menu of assays and continue to add new products to our dedicated assay portfolios.

We are exploring opportunities to expand the use of our portable testing platforms and to develop novel applications in areas such as biosecurity and agricultural testing.

# » TESTS WILL BECOME EASIER TO PERFORM, AND MANY MORE LABS WILL BE CAPABLE OF DOING THEM «

**Andrew Soldan**, Commercial Director&Head of VLA Scientific, Veterinary Laboratories Agency, Addlestone, Surrey, UK

### What impact have molecular technologies had on your work?

The biggest impact has been in allowing more rapid diagnosis of animal disease, both for common diseases and in exotic disease outbreaks. Molecular testing allows us to detect infectious agents much faster than traditional viral or bacterial cultures.

### What concrete benefits do molecular technologies offer over traditional methods in your specific field?

Results are available much faster. Positive results are obtained even when the infectious agent is non-viable or when the animal has been treated with antibiotics. In many cases, molecular tests have proven to be cheaper than traditional agent identification, and in some circumstances sample pooling has further reduced the cost per sample. For some disease agents, our molecular tests have been able to be more definitive than traditional methods – for example, where one strain of a bacteria or virus is a common incidental finding and another strain causes disease.

### What is needed to drive their further adoption?

Further simplification of methodologies and less expensive equipment. This will allow smaller laboratories to run efficient and high-quality molecular tests.

### Where do you see future potential for veterinary diagnostics?

I think molecular tests will increasingly be used in place of traditional bacterial cultures. Tests will become easier to perform, and many more labs will be capable of doing them. I think isothermal amplification methods have a promising future and that sequencing will become much more routine.

# Management Report

## Business and operating environment

**Overview**

QIAGEN is the world's leading provider of innovative Sample & Assay Technologies. Our products and systems are playing a pivotal role in the molecular biology revolution by empowering customers to transform raw biological samples into valuable molecular information. QIAGEN technologies allow healthcare providers to detect disease and make treatment decisions, scientists to explore the secrets of life, and other professionals to apply advanced tools for a diverse range of needs that include human identification, veterinary medicine and food safety.

Our mission is to make improvements in life possible by enabling our customers to achieve outstanding success and breakthroughs in Molecular Diagnostics, Pharma and Academia, and Applied Testing.

Biological samples contain millions of molecules, but only a small portion of this material is typically of interest for specific medical or other applications. Sample technologies are used to collect biological materials and stabilize, extract and purify the molecule of interest. Assay technologies are then used to amplify and enrich this small amount of isolated material to make it readable and ready for interpretation. Sample & Assay Technologies operate in a highly synchronized manner.

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 (deoxyribonucleic acid) and RNA (ribonucleic acid) that are essential for life as carriers of genetic information.

Since the introduction of that first ready-to-use kit, which provided all the materials needed for simple, efficient and safe preparation of nucleic acids in bacteria, QIAGEN has expanded to become the global leader with a broad offering of Sample & Assay Technologies, as well as related automated systems.

Net sales of $1.1 billion in 2010 came from consumables and related revenues including sample & assay kits (86% of sales) and from automated systems and instruments (14% of sales). QIAGEN has achieved five-year compound annual growth rates of approximately 22% in net sales and 18% in net income through 2010, as reported under U.S. GAAP.

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 researchers 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.

QIAGEN has leveraged this leadership position in Sample & Assay Technologies to build a strong position in molecular diagnostics. The commercial application of molecular technologies is transforming healthcare by providing highly specific genetic information to guide prevention and treatment strategies. Molecular Diagnostics accounted for 47% of net sales in 2010. Our products are also increasingly used in Applied Testing – areas of molecular testing not related to human healthcare or research, such as human identification and forensics, food safety, and veterinary testing.

With a focus on innovation, QIAGEN now markets more than 500 core products that are distributed in many variations and combinations. We continually introduce innovative products to address new market opportunities or extend the life of existing product lines. In 2010, we launched 86 new products. Our objective is to expand our leadership position in all markets we serve.

QIAGEN has made a number of strategic acquisitions to focus 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, including Europe, Japan, Australia, Americas and East Asia. Further information about QIAGEN can be found at www.QIAGEN.com.

**Products**

QIAGEN holds leadership positions in a wide range of customer classes for Sample & Assay Technologies. We offer more than 500 core sample & assay kits as well as a number of instrument solutions to fully automate the processing of almost all QIAGEN products used for sample preparation and the subsequent analysis. The terms "sample" and "assay" technologies define two phases of the process of unlocking valuable molecular information from raw biological materials, often 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. Open assay technologies include reagents that, when applied to a purified sample, allow the detection of molecules targeted by design of the customer. Closed assay technologies are preconfigured by QIAGEN to test for specific infectious disease targets such as influenza, hepatitis and herpes viruses, HIV or HPV.

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

- Consumables and related revenues (2010: 86% of sales)
  Consumable products, typically sample preparation or test kits, account for 85–90% of our business. 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; polymerase chain reaction (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*HPV test, a signal-amplified test regarded as the "gold standard" in testing for high-risk strains of the human papillomavirus (HPV), the primary cause of cervical cancer in women.

  Related revenues include royalties, payments from technology licenses, and patent sales. A small part of revenue comes from custom services, such as whole genome amplification services, DNA sequencing, and non-cGMP DNA production on a contract basis.

- Automated systems and instruments (2010: 14% of sales)
  Our instrumentation systems automate the use of Sample & Assay Technologies into efficient solutions for low-, medium- or high-throughput laboratories. These systems enable customers to perform reliable nucleic acid sample preparation, assay setup, target detection and other laboratory tasks. QIAGEN systems are highly flexible, but customers often use QIAGEN consumables for sample processing and molecular testing with our instruments.

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

- QIAsymphony is an innovative, easy-to-use modular system offering features 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) designation following its introduction in 2008. In September 2010, QIAGEN launched its highly flexible and automated QIAsymphony RGQ, an integrated system that sets new standards for molecular testing and incorporates all workflow steps from sample processing to detection. QIAsymphony RGQ gives customers access to the broadest menu of commercially available assays and allows them to run their own PCR-based laboratory-developed tests.

- Rotor-Gene Q, the world's first rotary real-time PCR cycler system, was developed by Corbett, which QIAGEN acquired and integrated into its operations in 2008. Real-time PCR reactions are assay technologies that make specific sequences of DNA and RNA in targets visible through amplification and quantifiable through real-time measurement. This system enhances QIAGEN's options to offer Sample & Assay technology solutions spanning from sample to result, and is an important modular addition to the QIAsymphony system.

- PyroMark is a high-resolution detection platform based upon the pyrosequencing technology acquired by QIAGEN in 2008. Pyrosequencing allows for the real-time analysis and quantification of genetic mutations and DNA methylation patterns down to the single base pair level, allowing users to identify even previously unknown mutations or variations in targeted DNA regions. This technology can also be employed in multiplex analysis for genetic and pathogen detection. Pyrosequencing plays a pivotal role in epigenetic research and can also 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 New Product Award (NPA) designation of the Association for Laboratory Automation in 2007.

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

- ESEQuant Tube Scanners are portable, battery-operated optical measurement devices based on technology developed by ESE GmbH, a privately held company that QIAGEN acquired in January 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, QIAGEN 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. We have been supplying customers since 1986 with innovative proprietary products for the analysis of nucleic acids.

QIAGEN focuses on four principal customer classes for Sample & Assay Technologies:

- Molecular Diagnostics – enabling hospitals, physicians and other providers to save lives and fight disease. The commercial use of Sample & Assay Technologies in human healthcare has grown to provide approximately half of QIAGEN net sales.

- Applied Testing – unlocking the potential of molecular information in testing fields not related to human healthcare, such as forensics, human identity, food safety, veterinary medicine, environmental testing and biosecurity.

- Pharma – supporting gene-based drug discovery and development by pharmaceutical and biotechnology companies, including development of companion tests that can evolve into commercialized molecular diagnostic products.

- Academia – providing tools for life sciences research, including major academic institutions and governmental laboratories, such as the National Institutes of Health (NIH) in the

U.S. and major research-based universities and institutes around the world.

The majority of QIAGEN technologies, whether automated platforms or consumables, are used by more than one of these customer classes. QIAGEN focuses on meeting the needs of customers across these markets with any or all of the technologies in our product portfolio.

### Molecular Diagnostics

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 polymerase chain reaction (PCR) and other amplification technologies has made the prospect of nucleic acid-based diagnostics feasible.

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. To prove whether a disease is present in a patient, the unique sequence of the target nucleic acid causing the disease must be known, and either the sequence in the sample must be amplified (target amplification) or the signal from the DNA must be amplified (signal amplification) to facilitate detection. Potential commercial applications for Molecular Diagnostics include – among others – infectious disease detection in biobanks, HLA (human leukocyte antigen) typing for bone marrow and organ transplantation, and genetic testing for predisposition to cancers and other diseases.

The Molecular Diagnostics market, with sales of approximately $4.5 billion in 2009, 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 approximately 10 – 15% from 2009 through 2014. Market penetration is still low – only an estimated one in 10 hospitals in the United States currently conduct molecular diagnostics tests in their own laboratories, and adoption is even lower in many other geographic markets. Given the advantages of precise genetic information over traditional tests – and the transformative benefits of applications such as Personalized Healthcare – QIAGEN expects the molecular diagnostics market to provide significant growth opportunities over the long term.

Growth in the molecular diagnostics market 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 molecular technologies for screening in non-symptomatic patients, such as testing for the viral DNA of human papillomaviruses (HPV) as a preventive medicine strategy to protect women from cervical cancer.

- 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 a landmark QIAGEN test for mutations of the KRAS gene that influence the effectiveness of novel medicines for treatment of colorectal cancer.

- 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.

QIAGEN offers one of the broadest portfolios of molecular Sample & Assay Technologies, covering all of these areas in healthcare. Success in Molecular Diagnostics depends on the ability to analyze purified nucleic acid samples from a variety of samples, including blood, tissue, body fluids and stool, and on automated systems that can handle hundreds of samples concurrently. Other key factors are convenience, 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 300,000 women a year. We sell our HPV products in the United States primarily for the 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 research and adoption, with most use limited to follow-up for inconsistent Pap test results. An increasing number of clinical trials are being conducted to explore the expand-

ed use of HPV testing for prevention or follow-up treatment of cervical cancer. The potential global addressable market is estimated at more than $1 billion.

In Profiling, QIAGEN offers an extensive range of Sample & Assay Technologies for use in the diagnosis of patients for various infectious diseases, including HIV, hepatitis, tuberculosis and influenza. QIAGEN is expanding this portfolio of assays and intends to gain additional regulatory approvals in the coming years in various geographic regions, particularly the U.S. A key element of this global expansion will be the use of these assay technologies on QIAsymphony RGQ.

In Personalized Healthcare, QIAGEN has more than 15 collaborations under way with pharmaceutical and biotech companies for the co-development of companion diagnostics for Personalized Healthcare. QIAGEN partnerships include high-profile companies such as Amgen, Bristol-Myers Squibb / ImClone / Lilly, AstraZeneca and Boehringer Ingelheim. Additional collaborations and partnerships are currently in the pipeline. The first companion diagnostics are already being marketed in Europe, with regulatory submissions planned for 2011 in the U.S. A key element of the global expansion in this area is also the use of these assay technologies on QIAsymphony RGQ.

QIAGEN markets a range of automated systems designed for low-, medium-, and high-throughput nucleic acid sample preparation and handling tasks in laboratories performing molecular diagnostics tests. 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

Demand is growing in Applied Testing – our term for the use of molecular Sample & Assay Technologies outside of human healthcare and research applications. Industry and government organizations use standardized sample preparation and assay solutions for human identification and forensics, food and veterinary testing. The value of genetic "fingerprinting" has been shown in criminal investigations involving DNA analysis, public policy compliance for food safety and genetically modified organisms (GMOs) and the use of these technologies to prevent or reduce the spread of pathogens 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, 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 development efforts increasingly employ genomic information, both to guide research in diseases and to differentiate the patient populations most likely to respond to particular therapies. Approximately 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.

As new drugs are commercialized, testing technologies developed in parallel with those therapies can move from Pharma R&D into the commercial market as companion diagnostics, which would be marketed within Molecular Diagnostics. Healthcare professionals can then customize treatment by testing for specific genetic biomarkers that help to 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 Sample & Assay 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 molecular Sample & Assay Technologies.

### Academia

QIAGEN provides Sample & Assay Technologies to leading research universities 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.

The academic market also supports our presence in Molecular Diagnostics and the Pharma market. Research in university settings often helps in the development of specific technologies for targeted biomolecules, and academic research can also result in scientific publications that validate the usefulness of QIAGEN technologies for specific applications.

### Geographic Markets

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):

| $ 1,000 | 2010 | 2009 | 2008 |
|---|---|---|---|
| **Net Sales** | | | |
| Americas: | | | |
| United States | **472,682** | 446,151 | 418,556 |
| Other Americas | **50,912** | 47,995 | 34,861 |
| **Total Americas** | **523,594** | 494,146 | 453,417 |
| **Europe** | **398,029** | 363,949 | 321,225 |
| **Asia Pacific and Rest of World** | **165,808** | 151,730 | 118,333 |
| **Total** | **1,087,431** | 1,009,825 | 892,975 |

Expansion in high-potential geographic markets is a core priority. QIAGEN has built a presence in China with about 350 employees, making it our third-largest country in sales. In January 2011, we created a new subsidiary in India, another of the world's fastest-growing healthcare markets.

### Recent Developments

QIAGEN achieved a number of strategic milestones in the development of our business in 2010:

- In January, QIAGEN acquired ESE GmbH, a German developer and manufacturer of portable, battery-operated, "ultra-fast time to result," multiplex UV and fluorescence optical measurement devices. ESE's fluorescence detection systems for Point of Need testing in healthcare and Applied Testing (veterinary, food, forensics) enable low-throughput molecular testing in practices, emergency rooms, remote field areas, and other settings where a laboratory infrastructure is not accessible and fast turnaround is required.

- In February, QIAGEN and Celera Corporation announced an agreement for QIAGEN to distribute a Celera molecular multiplex assay. The assay is the next-generation version of QIAGEN's ResPlex II assay for the detection of respiratory pathogens. Multiplex assays allow testing for multiple different pathogens in a single run.

- In April, QIAGEN acquired rights to 70 molecular food safety tests developed by the Berlin-based Institute for Product Quality (ifp), a specialized laboratory center for food analysis, and further strengthened the Applied Testing business. The tests acquired from ifp are based on widely used real-time PCR technology and cover a broad range of molecular targets that include genetic, bacterial, viral and other contaminants of foodstuffs. The tests can be fully automated using instruments such as QIAsymphony RGQ.

- In July, QIAGEN completed European certification of its *care*HPV test to bring human papillomavirus (HPV) testing to public health programs in low-resource, developing countries. The CE conformity marking ("Conformité Européenne") certifies that the *care*HPV test has met European Union consumer safety and health requirements, allowing the test to be distributed in developing countries that recognize the CE mark.

- In September, QIAGEN launched its highly flexible automated solution QIAsymphony RGQ. This novel, integrated system sets new standards for molecular testing and incorporates all workflow steps from sample to detection. The QIAsymphony RGQ offers many features that create exceptional flexibility, such as continuous loading, random access, open channels for user-developed tests, the broadest menu of commercial assays as well as the ability to process an almost unlimited range of sample types. The platform thus provides laboratories with a system that transforms their work in the emerging field of Molecular Diagnostics.

- In October, QIAGEN and Abbott announced an agreement that strengthens both companies' testing menus for automated in vitro diagnostic applications in the U.S. and Canada. Under the terms, QIAGEN will receive kits for a PCR-based molecular assay for HIV-1 viral load testing in the U.S. and Canada, which will be commercialized under QIAGEN's brand. In addition, Abbott will provide a quantitative HCV (hepatitis C) test, which will be optimized and labeled for use on QIAGEN's QIAsymphony RGQ platform and marketed under the Abbott brand in the U.S. and Canada. QIAGEN will supply Abbott with certain key products for a PCR-based HPV (human papillomavirus) test in the U.S. and Canada.

**Research and Development**

QIAGEN invests more in research and development – $ 126 million in 2010, or nearly 12% of sales – than most companies in our industry. We are committed to expanding QIAGEN's global leadership in Sample & Assay Technologies as rapid advances in molecular biology open up new and useful applications.

Our strategy for innovation focuses on addressing significant unmet medical and scientific needs. We target our resources to develop the most promising Sample & Assay Technologies in Molecular Diagnostics, Pharmaceutical R&D, Academic Research and Applied Technologies – 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 molecular Sample & Assay Technologies.

- Expanding our broad portfolio of "content" – in particular, novel assays to detect and characterize molecular structures and biomarkers for disease or genetic identification.

More than 740 employees in research and development work in eight centers of excellence on three continents. Our comprehensive intellectual property portfolio spans more than 960 granted patents and more than 990 pending applications.

Innovations in instrumentation are strengthening our leadership in the automation of Sample & Assay Technologies and generating increased demand for QIAGEN 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. Our new QIAsymphony RGQ, designed to allow fully integrated processing from initial sample to final result, was launched in late 2010. We also plan to integrate modules in the future for specialized needs such as pyrosequencing. The QIAensemble system, our next-generation high-throughput platform to automate the workflow for preventive screening, is in development.

QIAGEN is 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 U.S. introduction of QIAsymphony RGQ will be accompanied by an extensive development program involving more than 10 molecular assays. Regulatory submissions planned for 2011 include assays for the infectious diseases CMV (cytomegalovirus) and EBV (Epstein-Barr virus) as well as influenza. Development is set to begin in 2011 for assays involving the infectious diseases HIV-1, HBV and HCV. In October 2010, QIAGEN gained access to HIV-1 and HCV, among the most frequently performed molecular diagnostic tests in the U.S., through an agreement with Abbott. In 2011, we expect to complete the U.S. submission begun in 2010 for a breakthrough KRAS assay for use in selecting the most appropriate therapy for colorectal cancer patients. In addition, we are developing assays for specific applications in key markets such as China and Japan. The combined markets for QIAGEN's current assay development portfolio total more than $ 1 billion in potential annual sales.

In addition, QIAGEN has invested in co-development of companion diagnostics for Personalized Healthcare through more than 15 collaborations with pharmaceutical and biotech companies. We have created a center of excellence in companion diagnostics in Manchester, U.K. These programs 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 marketing personnel and employ a field sales force of more than 1,300 people, who sell QIAGEN 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. We also have specialized independent distributors and importers.

Our marketing strategy focuses on providing high-quality products that offer customers unique advantages, 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 QIAGEN's 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 email, 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.

To enhance the knowledge base of clinicians and provide for physician-directed marketing of our products, we have sales representatives dedicated to educating physicians, nurses and other healthcare professionals about the benefits of HPV testing using QIAGEN technologies. Additionally, we have implemented direct to consumer (DTC) advertising designed to educate women about the link between HPV and cervical cancer and the availability of our HPV test.

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 for our products. 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 sales promotions, and we offer personalized electronic newsletters that provide helpful hints and information for molecular biology applications. Our global call centers provide 24/7 customer service in various languages. 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. Some information is available on our website in French, German and Korean to support these markets. In addition, we have full Japanese and Chinese language versions of our site. Information contained on our website, or accessed through it, is not part of this Annual Report.

In addition to keeping customers informed of new product offerings, we offer an inventory consignment program. The QIAcabinet is a storage cabinet owned by the company and placed in customer laboratories at their request. Stocked with QIAGEN 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 has 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 2010, our purchases of intangible assets totaled $44.2 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, 2010, we owned 169 issued patents in the United States, 130 issued patents in Germany and 653 issued patents in other major industrialized countries. We have over

990 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.

**Competition**

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 as well as 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., Millipore Corp., and Macherey-Nagel GmbH for nucleic acid separation and purification; Life Technologies Corp. and Promega Corp. for assay solutions; Life Technologies Corp. and Promega Corp. 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.

In our HPV franchise, 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, Gen-Probe, Inc., and Hologic, Inc., which are developing and / or marketing FDA-approved HPV testing products, and manufacturers of liquid-based Pap tests, such as Hologic, Inc. and Becton Dickinson and Company. These tests, if approved by the FDA or non-U.S. regulatory authorities, may offer an alternative to our products. Considering the increasing acceptance of the importance of HPV testing, we expect competition to intensify.

The medical diagnostics and biotechnology industries are subject to intense competition. Some of our other products, such as tests for chlamydia, gonorrhea, hepatitis B virus, herpes simplex virus and cytomegalovirus, 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 Gen-Probe. 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 QIAGEN 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 to Sample & Assay Technologies gives us a competitive advantage. The quality of sample preparation – a field 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.

Regarding our HPV test products, we believe we have a competitive advantage as a multitude of clinical trials, encompassing close to one million women, 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, considering the high-volume needs of the HPV testing market, other competitive factors relate to automation, including performance and reliability, ease of use, standardization, cost, proprietary position and regulatory approvals.

Current and potential competitors may be in the process of seeking FDA or foreign regulatory approvals for their respective products. QIAGEN's 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 suppliers, potential new alternative sources of such materials, 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 of raw materials 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, 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 diagnostics (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, 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 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, 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 of 180 days from the date of a PMA 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.

**Organizational Structure**

QIAGEN N.V. is the holding company for more than 50 consolidated subsidiaries, the majority of which have the primary function of the distribution of our products and services on a

regional basis. Certain subsidiaries also have research and development or production activities. A listing of our significant subsidiaries, all of which are wholly-owned, and their jurisdiction of incorporation, is included in Exhibit 8.1 to this Annual Report.

**Property**

QIAGEN's production and manufacturing facilities for consumable products are located in Germany, the United States, China, 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 $79.7 million, $52.2 million and $39.4 million for 2010, 2009 and 2008, respectively.

QIAGEN has 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 currently occupy a total of approximately 509,000 square feet, some of which is leased pursuant to separate contracts, the last of which expires in 2018. In two separate transactions between July 1997 and February 1998, we purchased a parcel of land directly adjacent to our existing German facilities, measuring approximately 568,000 square feet. During 2003, we completed a 115,000 square foot production facility and a 149,000 square foot administration building on this land. During 2005, we purchased our leased cGMP production facilities in Germany and began planning for a new logistics center in Hilden. Completed in 2007, the logistics center comprises approximately 61,000 square feet and cost approximately €9.0 million (approximately $13.1 million).

Our production capacity is increased through our manufacturing and research facilities in the United States. QIAGEN Sciences, Inc. owns a 27-acre site in Germantown, Maryland. The 200,000 square foot Germantown facility consists of several buildings in a campus-like arrangement and is intended to accommodate over 250 employees. There is room for future expansion of up to 200,000 square feet of facility space. We lease a facility in Gaithersburg, Maryland, comprising a total of 150,000 square feet for manufacturing, warehousing, distribution and research operations.

In 2009, we purchased additional land adjacent to our facility in Hilden, Germany, for €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. These projects are expected to continue into 2012 at an estimated total cost of approximately $94.0 million, of which $33.5 million had been incurred as of December 31, 2010. We anticipate being able to fund these expansions with cash generated by operating activities.

# Performance review

### Forward-looking and Cautionary Statements

This section contains forward-looking statements that are subject to risks and uncertainties. These statements can be identified by the use of forward-looking terminology, such as "believe," "hope," "plan," "intend," "seek," "may," "will," "could," "should," "would," "expect," "anticipate," "estimate," "continue" or other similar words. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. We caution investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements as a result of various factors, including, but not limited to, the following: risks associated with our expansion of operations, including the acquisition of new businesses; variability in our operating results from quarter to quarter; management of growth, international operations, and dependence on key personnel; intense competition; technological change; our ability to develop and protect proprietary products and technologies and to enter into and maintain collaborative commercial relationships; our future capital requirements; general economic conditions and capital market fluctuations; and uncertainties as to the extent of future government regulation of our business. As a result, our future success involves a high degree of risk. For further information, please refer to the risk factors discussion in Item 3 of the Form 20-F filed with the U.S. Securities and Exchange Commission and available in the Investor Relations section of our website at www.QIAGEN.com.

### Results of Operations

#### Overview

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

QIAGEN markets products in more than 100 countries throughout the world. We have established subsidiaries in markets that 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. We employ nearly 3,600 people in more than 30 locations worldwide.

In 2010, net sales increased 8% to $1.1 billion compared to $1.0 billion in 2009, while operating income on a consolidated basis was $188.5 million, a 5% increase from $180.2 million in 2009.

We have achieved five-year compound annual growth rates of approximately 22% in net sales and 18% in net income through 2010, 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

QIAGEN has made a number of strategic acquisitions since 2008, expanding our technology and product offerings as well as extending our geographic presence. These include:

- In April 2010, we acquired assets related to food testing assays of the Institute for Product Quality (ifp), a company based in Berlin, Germany, which sells food, veterinary and environmental quality control assays. The transaction strengthened our Applied Testing customer class by adding 70 molecular food safety tests developed by ifp.

- In January 2010, we acquired ESE GmbH, a German developer and manufacturer of portable, battery-operated, "ultra-fast time to result" multiplex UV and fluorescence optical measurement devices. ESE's fluorescence detection systems for Point of Need testing in healthcare and in 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.

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

- In September 2009, we acquired DxS Ltd., a pioneer in having created the development and marketing of companion diagnostics that enable physicians to predict patient responses in order to make cancer therapies more effective. Headquartered in Manchester, U.K., DxS brings QIAGEN a portfolio of molecular diagnostic assays and related intellectual property, as well as a deep pipeline of companion diagnostic partnerships in oncology with leading pharmaceutical companies. With the acquisition, we have created a leading position in Personalized Healthcare and strengthened our overall strategic position in our Molecular Diagnostics customer class.

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

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

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

- In July 2008, we acquired 82.5% of Corbett, a developer, manufacturer and distributor of life sciences instrumentation headquartered in Sydney, Australia. Corbett is best known for developing the world's first rotary real-time PCR cycler system, the Rotor-Gene™, used to detect real-time polymerase chain reactions (PCR) and make specific sequences of DNA and RNA targets visible through amplification and quantifiable through real-time measurement. Addition of this proprietary PCR detection technology extends our molecular testing solution portfolio and enhances our options to offer Sample & Assay Technology solutions spanning from sample to result.

- In July 2008, we also acquired the minority interest of our Brazilian subsidiary, QIAGEN Brasil Biotecnologia Ltda.

- In May 2008, we established QIAGEN Mexico via acquisition of certain assets of our former distributor, Quimica Valaner.

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

Our financial results include the contributions of our recent acquisitions from the date of acquisition, as well as the costs related to the acquisitions and integrations, including costs related to the relocation and closure of certain facilities. Our results also reflect the benefits of our previous restructuring efforts, which have contributed to improved profitability as we continue to manage our operating costs.

### Other Changes in 2010

During 2010, we determined that QIAGEN operates as one business segment in accordance with ASC Topic 280, Segment Reporting. Our decision-making process has evolved as a result of our continued growth, restructuring and streamlining of the organization, and revised internal budgeting and reporting approaches. Our chief operating decision maker (CODM) has now transitioned to making decisions on business operations and resource allocation based on evaluations of the QIAGEN Group as a whole. With revenues derived from our entire product and service offerings, it is not practicable to provide a detail of revenues for each group of similar products and services or for each customer group, as full discrete financial information is not available. Accordingly, we operate as one reporting segment. However, we do provide certain revenue information by customer class to allow better insight into our operations. This information is estimated using certain assumptions to allocate revenue among the customer classes.

On March 30, 2010, the U.S. President signed the Health Care and Education Reconciliation Act of 2010, which amended the Patient Protection and Affordable Care Act signed by the President on March 23, 2010 (collectively, the "Acts"). As a result of the Acts, a 2.3% excise tax will be imposed on the sale, including leases, of any taxable medical devices by the manufacturer, producer or importer of such devices. A "taxable medical device" is any FDA regulated device intended for human use. The excise tax will apply to U.S. sales of all taxable medical devices occurring after December 31, 2012. While we continue to evaluate the impact of the Acts, at the present time, we expect a net positive impact from the legislation effective 2013 due to the expected increase in net sales resulting from increased healthcare coverage, which will be partially offset by the excise tax.

## 2010 Compared to 2009

### Net Sales

In 2010, net sales increased 8% to $1.1 billion compared to $1.0 billion in 2009. The increase in net sales includes organic growth (4%) and sales from our recently acquired businesses (4%). Our 2010 and 2009 net sales include the results of operations for, as well as the effects of the acquisitions of DxS Ltd., acquired in September 2009, and SABiosciences, acquired in December 2009.

The increase in sales was the result of growth for our consumable products, which represented approximately 86% of total sales and included product, service, and license and technology sales including revenues from nonmonetary exchanges; and for instrumentation products, which represented approximately 14% of total sales. Sales of Sample & Assay Technologies, which include consumables and instrumentation, experienced growth rates of 8% and 7%, respectively, in 2010 compared to 2009.

The net sales growth was spread across all customer classes. In Molecular Diagnostics, which represents approximately 47% of our net sales, we achieved 8% growth in 2010 compared to 2009. In 2010, we experienced lower growth in sales volumes of molecular diagnostic assays than in periods prior to 2010 as a result of decreasing patient visits to healthcare providers. We expect the trend of fewer healthcare patient visits to continue into 2011. In Academia, which represents approximately 26% of our net sales, we experienced 8% growth in 2010 compared to 2009, in part due to increased purchases using stimulus funding provided under the American Recovery and Reinvestment Act (stimulus). We expect the positive impact from the stimulus package to continue into 2011. In 2009, we experienced higher sales volumes of certain swine flu-related products, which were not repeated in 2010, significantly impacting growth rates in Molecular Diagnostics and Academia. In Pharma, which represents approximately 21% of our net sales, we experienced 6% growth in 2010 compared to 2009. In Applied Testing, which represents approximately 6% of our net sales, we achieved 15% growth in 2010 compared to 2009.

We expect further growth building upon the introduction of new consumable products and instrumentation, including the QIAensemble and QIAsymphony platforms. We continually introduce new products to extend the life of our existing product lines as well as to address new market opportunities. In 2010, we launched 86 new products in the area of Sample & Assay Technologies.

A significant portion of our revenues is denominated in euros and currencies other than the U.S. dollar. Changes in currency exchange rates can affect net sales, potentially to a significant degree. Net sales were positively impacted by $0.2 million in currency exchange effects for 2010 as compared to 2009.

The continuing uncertainties of the current global economy represent a risk for us, and while we expect continued growth in our consumables and instrumentation businesses, future growth could be adversely affected and may be lower than our historical growth.

### Gross Profit

Gross profit was $715.6 million, or 66% of net sales, in 2010, compared to $667.1 million, or 66% of net sales, in 2009. The dollar increase in 2010 compared to 2009 is attributable to the increase in net sales. Our consumable sample & assay products have a higher gross margin than our instrumentation products, and fluctuations in the sales levels of these products can result in fluctuations in our gross margin between periods.

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 $61.8 million in 2010 from $53.6 million in 2009, 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 our acquisitions.

In addition, during 2010, a total of $1.3 million was expensed to acquisition-related cost of sales in connection with the write-off of inventories made obsolete following an acquisition as well as the write-up of acquired inventory to fair market value as a result of business combinations. In 2009, this expense was $7.4 million. In accordance with purchase accounting rules, acquired inventory was written up to fair market value and subsequently expensed as the inventory was sold. Additionally, in 2009, we recognized a charge of $2.5 million to cost of sales related to the impairment of developed technology, which was triggered by the acquisition of DxS and the discontinuation of certain products.

### Research and Development

Research and development expenses increased by 17% to $126.0 million (12% of net sales) in 2010, compared to $107.9 million (11% of net sales) in 2009. Our business combinations, along with the acquisition of new technologies, have resulted in an increase in research and development costs. As we continue to discover, develop and acquire new products and technologies, we expect to incur additional expenses related to facilities, licenses and employees engaged in research and development efforts. Additionally, research and development costs are expected to increase as a result of seeking regulatory approvals, including U.S. FDA Pre-Market Approval (PMA), U.S. FDA 510(k) clearance and EU CE approval of certain assays or instruments. The increase in research and development expense was positively affected by $1.8 million of currency exchange impact in 2010. We have a strong commitment to innovation and expect to continue to make investments in our research and development efforts. Accordingly, we expect our research and development expenses to continue to increase, perhaps significantly.

### Sales and Marketing

Sales and marketing expenses increased 9% to $267.5 million (25% of net sales) in 2010 from $244.8 million (24% of net sales) in 2009. Sales and marketing expenses are primarily associated with personnel, commissions, advertising, trade shows, publications, freight and logistics expenses and other promotional expenses. The increase in sales and marketing expenses in 2010, compared to 2009, is primarily due to our acquisitions of DxS in September 2009 and SABiosciences in December 2009. In addition, sales and marketing expenses include the costs of maintaining separate sales organizations addressing customers in Pharma and Academia, Applied Testing and Molecular Diagnostics. The increase in sales and marketing expense was positively affected by $0.4 million of currency exchange impact in 2010. We anticipate that sales and marketing costs will continue to increase along with new product introductions and continued growth in sales of our products, but we expect sales and marketing costs will, for the most part, grow at a slower rate than our overall revenue growth.

### General and Administrative, Integration and Other

General and administrative, business integration, restructuring and related costs decreased by 5% to $110.0 million (10% of net sales) in 2010 from $115.9 million (11% of net sales) in 2009. The decrease in these expenses in 2010 is primarily the result of lower integration costs, partially offset by increased general and administrative expenses related to new businesses acquired in 2009 and restructuring efforts in 2010. We have continued to incur integration costs for businesses acquired, totaling approximately $10.1 million in 2010, compared to $21.5 million in 2009. In 2010, we incurred $7.4 million in restructuring costs related to internal restructuring of subsidiaries, including severance and retention costs. In connection with the integration of the acquired companies, we aim to improve efficiency in general and administrative operations. Additionally, general and administrative, integration and related costs decreased by $0.7 million due to currency exchange impact in 2010, compared to 2009. 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 2011. Over time, we believe the results of the integration and restructuring activities will continue to result in a decrease in our general and administrative expenses as a percentage of sales.

### Acquisition-Related Intangible Amortization

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

During 2010, the amortization expense on acquisition-related intangibles within operating expense increased to $23.5 million, compared to $18.2 million in 2009. 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.

### Other Income (Expense)

Other expense was $15.4 million in 2010, compared to $7.9 million in 2009. The increase in total other expense in 2010 is primarily due to the 2009 gain from the sale of a cost-method investment and the impairment of a cost-method investment. During 2009, we sold our investment in a privately held company and realized a gain of $10.5 million.

In 2010, total other expense is primarily the result of interest expense, partially offset by interest income, foreign currency gains and income from equity method investees.

Interest expense decreased to $27.8 million in 2010, compared to $29.6 million in 2009. Interest costs primarily relate to our long-term debt discussed in Note 15 in the accompanying notes to the consolidated financial statements. The decrease in interest expense is primarily due to a lower balance following a $50.0 million repayment on our term loan, as well as decreasing interest rates.

For the year ended December 31, 2010, interest income increased to $4.5 million from $3.5 million in 2009. The increase in interest income was primarily due to an increase in short-term investments.

### Provision for Income Taxes

Our provision for income taxes is based upon the estimated annual effective tax rates. Fluctuations in the distribution of pre-tax income among our operating subsidiaries can lead to fluctuations of the effective tax rate in the consolidated financial statements. Our operating subsidiaries are exposed to effective tax rates ranging from zero up to approximately 42%.

In 2010 and 2009, our effective tax rates were 17% and 20%, respectively. The effective rate for 2010 is impacted by a higher percentage of pre-tax book income earned in the U.S. and partially offset by the substantial impact of discrete events of (8.4%) for 2010. In 2010, as a result of internal restructuring related to the foreign subsidiaries of the former Digene Corporation, a one-time deduction for bad debt and worthless stock was realized, which resulted in a $12.0 million tax benefit.

### Foreign Currencies

QIAGEN N.V.'s functional currency is the U.S. dollar, and most of our subsidiaries' functional currencies are the local currencies of the countries in which they are headquartered. All amounts in the financial statements of entities whose functional currency is not the U.S. dollar are translated into U.S. dollar equivalents at exchange rates as follows: (1) assets and liabilities at period-end rates, (2) income statement accounts at average exchange rates for the period, and (3) components of shareholders' equity at historical rates. Translation gains or losses are recorded in shareholders' equity, and transaction gains and losses are reflected in net income. The net gain (loss) on foreign currency transactions in 2010, 2009 and 2008 was $2.6 million, $5.6 million and ($0.2) million, respectively, and is included in other income (expense), net.

### Derivatives and Hedging

In the ordinary course of business, we use derivative instruments, including swaps, forwards and/or options, to manage potential losses from foreign currency exposures and variable-rate debt. The principal objective of such derivative instruments is to minimize the risks and/or costs associated with global financial and operating activities. We do not utilize derivative or other financial instruments for trading or 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. To determine our own credit risk we estimate our own credit rating by benchmarking the price of our outstanding debt to publicly-available comparable data from rated companies. Using the estimated rating, we quantify our credit risk by reference to publicly traded debt with a corresponding rating.

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

Interest Rate Derivatives We use interest rate derivative contracts on certain borrowing transactions to hedge fluctuating interest rates. We have entered into interest rate swaps in which we agree to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount.

We make use of 'economic hedges' – i.e., derivatives that do not have a formally designated hedging relationship – as well as 'accounting hedges.' All derivatives that qualify for hedge accounting are 'cash-flow hedges.' Further details of our derivative and hedging activities can be found in Note 6 to the consolidated financial statements.

### 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, 2010 and 2009, we had cash and cash equivalents of $828.4 million and $825.6 million, respectively. We also had short-term investments of $106.1 million at December 31, 2010. Cash and cash equivalents are primarily held in U.S. dollars, euros and Australian dollars, other than those cash balances maintained in the local currency of subsidiaries to meet local working capital needs. At December 31, 2010, cash and cash equivalents had increased by $2.8 million from December 31, 2009, primarily due to cash provided by operating activities of $250.8 million and offset by cash used in investing activities of $215.5 million and cash used in financing activities of $35.2 million. As of December 31, 2010 and 2009, we had working capital of $976.2 million and $957.9 million, respectively.

Operating Activities For the years ended December 31, 2010 and 2009, we generated net cash from operating activities of $250.8 million and $217.0 million, respectively. Cash provided by operating activities increased in 2010 compared to 2009 primarily due to increases in net income, depreciation and amortization, partially offset by a net decrease in the working capital accounts. The increase in net income and accounts receivable is primarily attributable to our 2010 sales growth, while the increase in depreciation and amortization is primarily due to our new acquisitions. The net decrease in the working capital accounts is primarily attributable to decreased accrued liabilities, primarily related to the fair value of derivatives as well as a decrease in payroll-related accruals. 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 $215.5 million of cash was used in investing activities during 2010, compared to $341.7 million during 2009. Investing activities during 2010 consisted principally of $110.1 million invested in short-term investments, $79.7 million of cash paid for purchases of property and equipment, primarily in our ongoing construction projects in Germany and the U.S., as well as cash paid for acquisitions and intangible assets. During 2010, cash paid for acquisitions, net of cash acquired, totaled $37.0 million and included cash paid for acquisitions made in 2010 as well as milestone payments from previous acquisitions. In 2010, cash paid for intangible assets totaled $44.2 million, including amounts in connection with our next-generation HPV platform, QIAensemble, and related products. These investing activities were partially offset by $44.0 million from the sale of short-term investments. Additionally in 2010, we received proceeds of $15.5 million from the 2009 sale of an investment in a privately held company, and we invested approximately $7.5 million in equity investments.

In 2009, we purchased the land and building adjacent to our facility in Hilden, Germany, for € 2.5 million (approximately $3.2 million), and in August 2009 we began construction to further expand the German facilities for research and development and production space. In addition, we are expanding our Germantown, Maryland, facility for production and administrative space, beginning in June 2010. These expansion projects are expected to continue into 2012 at an estimated total cost of approximately $94.0 million. We anticipate that we will be able to fund such expansions with cash generated by operating activities.

In connection with certain acquisitions, we could be required to make additional contingent cash payments totaling up to $85.4 million based on the achievement of certain revenue and operating results milestones as follows: $8.3 million in 2011, $16.3 million in 2012, $13.3 million in 2013, $2.7 million in 2014, and $44.8 million payable in any 12-month period from now until 2015 based on the accomplishment of certain revenue targets, the launch of certain products or the grant of certain patent rights. Of the $85.4 million total contingent obligation, approximately $28.7 million is accrued as of December 31, 2010.

Financing Activities Financing activities used $35.2 million in cash for the year ended December 31, 2010, compared to $629.2 million for 2009. Cash used during 2010 was primarily due to the repayment of $50.0 million of long-term debt and capital lease payments, partially offset by proceeds from debt as well as cash provided by the issuance of common shares in connection with our equity compensation plans and tax benefits from stock-based compensation. Cash provided during 2009 was primarily due to the sale of 31.625 million common shares, including 4.125 million common shares upon exercise of the underwriters' overallotment option, in September 2009.

We have credit lines totaling $160.8 million at variable interest rates of which insignificant amounts were utilized as of December 31, 2010. We also have capital lease obligations, including interest, in the aggregate amount of $26.9 million, and carry $873.0 million of long-term debt, of which $75.8 million is current as of December 31, 2010. As of December 31, 2010, we have drawn down $3.0 million under a loan which can be utilized for up to € 12.7 million to finance our research and development projects in Germany. The loan bears interest at 3.5% and is due to be fully repaid by 2019 with repayments starting in 2011.

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

We have notes payable, which are the long-term borrowings of the proceeds from the issuances of $150.0 million senior unsubordinated convertible notes, with a 1.5% coupon due in 2024 through QIAGEN Finance (2004 Notes), and of $300.0 million 3.25% senior convertible notes (2006 Notes) due in 2026 through QIAGEN Euro Finance. QIAGEN Finance and Euro Finance are unconsolidated subsidiaries, which were established for this purpose. The 2004 Notes are convertible into our common shares at a conversion price of $12.6449, subject to adjustment, and the 2006 Notes are convertible into our common shares at a conversion price of $20.00, subject to adjustment. In connection with conversion of $5.0 million of the 2004 Notes, we repaid $5.0 million of the debt to QIAGEN Finance. At December 31, 2010, $145.0 million and $300.0 million are included in long-term debt for the amount of the notes payable to QIAGEN Finance and Euro Finance, respectively. The $145.0 million note payable has an effective rate of 2.16%, and had an original maturity in July 2011. We are in the process of refinancing the $145.0 million note with QIAGEN Finance, which will have a new maturity date no earlier than July 2012. The $300.0 million note payable has an effective rate of 3.97% and is due in November 2012. QIAGEN N.V. has guaranteed the 2004 and 2006 Notes, and has agreements with QIAGEN Finance and Euro Finance to issue shares to the investors in the event of conversion. These subscription rights, along with the related receivable, are recorded at fair value in the equity of QIAGEN N.V. as paid-in capital.

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

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

### Off-Balance Sheet Arrangements

Other than our arrangements with QIAGEN Finance and Euro Finance as discussed above and in the notes to the consolidated financial statements, we did not use special purpose entities and do not have off-balance sheet financing arrangements as of, and during, the years ended December 31, 2010, 2009 and 2008.

### Contractual Obligations

As of December 31, 2010, our future contractual cash obligations are as follows:

CONTRACTUAL OBLIGATIONS

| | | | | Payments Due by Period | | | |
|---|---|---|---|---|---|---|---|
| **Contractual obligations (in $ million)** | **Total** | **2011** | **2012** | **2013** | **2014** | **2015** | **Thereafter** |
| Long-term debt | 873.0 | 75.8 | 796.7 | 0.5 | — | — | — |
| Capital lease obligations | 26.9 | 3.6 | 3.9 | 4.1 | 4.3 | 4.6 | 6.4 |
| Operating leases | 60.5 | 14.0 | 12.1 | 9.3 | 7.9 | 6.2 | 11.0 |
| Purchase obligations | 101.4 | 54.8 | 17.0 | 15.1 | 13.9 | 0.4 | 0.2 |
| License and royalty payments | 10.9 | 1.1 | 1.2 | 1.4 | 1.4 | 1.4 | 4.4 |
| **Total contractual cash obligations** | **1,072.7** | **149.3** | **830.9** | **30.4** | **27.5** | **12.6** | **22.0** |

Included in the purchase obligations of $ 101.4 million is approximately $ 45.0 million in purchase commitments through 2014 related to our next-generation HPV platform as well as commitments for development agreements.

In addition to the above and pursuant to purchase agreements for several of our recent acquisitions, we could be required to make additional contingent cash payments totaling up to $ 85.4 million based on revenue and other milestones in 2011 and beyond.

Liabilities associated with uncertain tax positions, including interest, are currently estimated at $ 8.4 million and are not included in the table above, as we cannot reasonably estimate when, if ever, an amount would be paid to a government agency. Ultimate settlement of these liabilities is dependent on factors outside of our control, such as examinations by each agency and expiration of statutes of limitation for assessment of additional taxes.

# Human Resources

### Overview

The skills, knowledge, dedication and passion of our employees are critical for the success of QIAGEN. We want to recruit, support and retain the best employees, offering performance-based remuneration, development opportunities and measures to balance work and family life. We are committed to diversity in our teams that reflect the various backgrounds of our business partners.

At the end of 2010, QIAGEN had 3,587 full-time equivalent employees, a 3% increase from 3,495 at the end of 2009. Total personnel expenses in 2010 were $334 million compared to $304 million in 2009.

### Training and Retention

At QIAGEN, we recognize that employees are our most important resource. Their exceptional talent, skill, and passion are key to our long-term success and corporate value. Employee development is therefore viewed as an integral success factor in creating lasting value for our customers, patients, colleagues, partners, and shareholders.

QIAGEN has established a global Performance Enhancement System (PES) that creates a clear framework for regular, one-on-one review sessions in which managers discuss career development topics with each of their employees. These sessions include discussions of goals and their achievement, training needs and interests, career planning, organizational development, and the results of regularly performed "180° surveys." Professional Training and Development at QIAGEN is an ongoing process reaching all employees, which cycles from PES to participation, review, follow-up, and back to PES.

### Management Campus (MC)

This program, which is composed of two components, is designed to ensure the ongoing development of QIAGEN's future management generations. MC I accelerates the careers of our professionals by providing insights into major management topics while focusing on individual development and business-related innovative actions. MC II is a senior executive program that is designed to invest in skill sets of QIAGEN's senior managers.

### QIAGEN Executive MBA Program

To support our future growth, QIAGEN offers employees the opportunity to participate in the QIAGEN Executive MBA Business Integration Program in cooperation with the University of Würzburg, Germany. The program provides professionals with a wide range of management skills and knowledge which are key to an executive career in the industry and at QIAGEN in particular. Participants study in an international environment with colleagues from around the world. Two modules are conducted with partner universities in the U.S.: at Boston University in Boston, Massachusetts, and at Florida Gulf Coast University in Fort Myers, Florida.

### Compensation System

We have introduced frameworks for performance-based compensation, new equity-based compensation standards, and numerous incentive programs designed to stimulate new ideas and innovation. The bonus system integrates each and every employee, allowing the entire staff to benefit directly from our economic success. An equity incentive program is designed to induce share-holding employees to work for the long-term benefit of QIAGEN and to promote its sustainable success.

### Work-Life Balance

QIAGEN introduced services to help employees balance their personal life with our dynamic and driven work environment, including in-house corporate childcare and sabbatical programs, as well as company-sponsored fitness and health facilities, and programs. Flexible working hours apply to all employees except for functions that require on-time presence.

### Workplace Health

In today's business climate, the health of employees is often directly related to the health of the company. Increased job satisfaction, improved morale, reduced injuries, and increased productivity are just some of the benefits which a healthy work environment can have. At its headquarters, QIAGEN regularly offers "health days" where all employees are invited to receive free counsel and to participate in screening and nutrition programs, medical check-ups, etc. QIAGEN provides in-house gyms open to all employees, sports courses coached by professional trainers, and on-site soccer fields and beach volleyball courts, all free of charge. All female employees have free access to screening for HPV, the primary cause of cervical cancer.

# Sustainability

## Overview

QIAGEN follows a comprehensive approach to sustainability, aiming to reduce the environmental impact of our business, promote healthy and high-performance workplaces that enable professional and personal development, drive lasting growth, and help societies across the globe live better lives.

We believe that three dimensions – corporate citizenship, green development and economic progress – are closely interlinked, influencing and benefiting each other. We pledge to continually evaluate the potential impact of our business on these dimensions. Our commitment to sustainability will not stop when formal requirements are fulfilled. As a market and innovation leader in life sciences and molecular diagnostics, we strive to go above and beyond simply observing environmental and labor law regulations.

## Corporate Citizenship

QIAGEN is committed to helping achieve sustainable improvements in the quality of life, which means facilitating access to our products for people around the world.

### QIAGEN*cares*

QIAGEN*cares* is the cornerstone of a comprehensive corporate social responsibility program established by QIAGEN. With this platform, QIAGEN has created an umbrella for the support of initiatives that help to improve lives by aiding in the fight against diseases in which our products can play an important role, be it research, surveillance or diagnosis of diseases. Meetings with global health advocates and public health partners help to ensure efficient distribution of donations to appropriate recipients. QIAGEN has also issued a sponsoring policy which defines the selection process for donations and sponsorships of local initiatives. The policy lists budgets and criteria under which all localities can apply for funding to support local health, cultural, and social programs.

While QIAGEN*cares* is open to a broad range of initiatives, the program includes a strong commitment to testing for human papillomavirus (HPV) infections. HPV is the primary cause of cervical cancer, a disease that claims nearly 300,000 lives every year, 80% of them in developing countries. As studies have shown, these lives could be saved if women had access to advanced screening methods.

QIAGEN has announced the donation of 1.5 million HPV tests to bring cervical cancer screening to the world's developing nations. QIAGEN works closely with global health advocates and public health partners to select and serve appropriate recipient groups in the most effective manner.

Another initiative is the collaboration between QIAGEN and the Chittaranjan National Cancer Institute (CNCI) to provide free cervical cancer screening to 50,000 women in Kolkata, India. Screening is facilitated through mobile field clinics so that those most in need can be effectively reached for testing. The project began in 2009 and will last five years.

Additional aspects of QIAGEN's commitment towards broader access to life-saving diagnostics include *care*HPV and donations for tests to cervical cancer screening projects in China. *care*HPV is a testing technology that has been specifically designed for low-resource settings. It was developed in collaboration with the health organization PATH, and partly financed by the Bill and Melinda Gates Foundation.

## Green Development

Protecting the environment, health, and safety through our products has always been our hallmark. No other life sciences company has contributed more to the replacement of toxic elements in sample preparation than QIAGEN.

### Global Environmental Health and Safety (EHS)

QIAGEN's Executive Committee has appointed a global EHS coordinator who constantly manages and monitors the progress of emission reductions and improvements in the occupational health status of employees. The EHS coordinator consults with sites and submits proposals for the introduction of ecological products and manufacturing methods. The EHS coordinator reports directly to the Chief Executive Officer.

### Operational Excellence

QIAGEN recently introduced the concept of QIAzen, a term created from the Japanese term KAIZEN, which means "continuous improvement." More than 30 "QIAzen Assistants" are receiving training to identify potential to further improve our manufacturing organization, to initiate projects, and to monitor implementation within cross-functional teams. By constantly optimizing operational workflows in manufacturing and production, QIAGEN reduces transportation, saves electricity, and minimizes other impacts on our natural resources throughout the entire production process.

### Energy Savings Process

QIAGEN has an ongoing process for energy reduction. The facility management identifies potential savings, develops plans for realization, and monitors implementation. The process is a comprehensive routine that encompasses fields such as the installation of power-friendly equipment, selection of suppliers, and optimization of operational hours.

### Paper Reduction

QIAGEN is a member of the Forest Stewardship Council (FSC). For the production of many printed materials, including packaging materials, the company has a policy to select suppliers that comply with the FSC standards for printing processes and well-managed forests. Reducing printed material and providing more links to online tools is a policy to support responsible paper consumption. We also introduced a "fax-to-email" system for orders. QIAGEN has decided to reduce the volume of distributed product catalogues by 50%, and publish it biannually instead of annually. A pilot is currently running to measure customer acceptance.

### Packaging and Waste Reduction

QIAGEN's procurement division has issued guidelines for suppliers requiring them to reduce packaging volumes by refraining from the use of PVC and other potentially hazardous materials. For packaging, the company uses biodegradable loose fill packaging made from 100% recycled polystyrene. At most sites, waste reduction and recycling are standard business practices – part of our commitment to conducting operations in a sustainable manner and in accordance with public regulations. Our headquarters recycles all cardboard, paper, batteries, and commingled materials. European sites collect and return all packaging waste carrying the "Green Dot," in Europe.

QIAGEN is committed to enhancing the standards of our buildings to improve energy and water efficiency, air quality, and materials. Site expansions including new buildings at our regional headquarters in Germany and the United States include gold standard certifications under the U.S. Green Building Council's LEED certification program. Improvements are also being applied to existing locations.

### Energy Saving

QIAGEN is committed to saving energy. We run simulations to reduce energy consumption, and have installed sophisticated energy recovery and control systems that provide only the minimum of power required for operations. In our headquarters in the United States and Europe, we have installed light sensors in areas such as hallways, restrooms, storage areas, and parking decks to reduce electricity consumption. Lights installed in main facilities use only energy-saving LEDs. New heating, ventilation, and air conditioning (HVAC) systems. Furthermore, fluorescent fixtures are currently being replaced with lower-energy-use 28 watt bulbs, and all lights have been replaced with compact fluorescent light bulbs.

### Water Consumption

Our main U.S. facilities uses process water produced during manufacturing to cool buildings. Hand-activated faucets have been installed in all restrooms, and all water coolers have been replaced with filtered water dispensers.

### Transportation

Some manufacturing machines have been placed at suppliers' sites to reduce transportation-related impact on the environment. At its headquarters, QIAGEN has doubled the number of bicycle stands, and introduced discounted train and bus tickets. The car pool includes vehicles with low emissions. At most sites, video conferencing systems have been installed to allow virtual team meetings.

## Economic Progress

Only companies that are economically sustainable can achieve their strategic objectives. The economic contribution of a company, however, goes beyond creating value for shareholders – it has a catalytic impact on local and national economies by helping to create jobs, stimulating local economies, and contributing to the funding of public services.

### Business Development

QIAGEN pursues a corporate strategy designed for long-term success. We focus on Sample & Assay Technologies and leverage this leadership position to drive innovation and growth. Most of these markets are underpenetrated, providing significant potential. This is particularly true for in vitro diagnostics, where new molecular methods are increasingly replacing traditional solutions. QIAGEN rigorously follows a stringent business development process to address high-growth opportunities. This strategy includes acquisitions and collaborations to support organic growth.

### Compliance Program

QIAGEN has a comprehensive compliance program. It translates the Code of Business Conduct and accompanying specific corporate compliance policies, as well as applicable

legal, regulatory, and ethical requirements into clear, precise, understandable guidelines for our employees.These policies are collected in a Global Employee Manual provided to all employees worldwide. QIAGEN offers a number of communication resources for compliance matters to our employees. We have established a hotline for reporting accounting-related concerns on an anonymous basis in good faith. We also offer a direct email and telephone hotline for our employees and regular training held by external as well as in-house legal and regulatory experts.

### Corporate Governance

Conducting business lawfully, ethically and with high integrity are fundamental values and principles necessary for the long-term success of any company. QIAGEN takes this to heart and is deeply committed to ensuring compliance with these principles. To support our commitment, QIAGEN has established a Compliance Program under the leadership of the CFO and Chief Compliance Officer. The program is supported by a Compliance Committee that coordinates our efforts consisting of managers from Legal, Internal Audit, HR, and Regulatory functions. The Compliance Program is overseen by the Audit Committee of the Supervisory Board.

### Innovation Management

QIAGEN's kit innovation revolutionized molecular biology. Long-term success in life sciences, however, requires continuous innovation. QIAGEN understands innovation as a comprehensive, multi-level process that is organized cross-departmentally and transparently allowing for maximum planning and control. The process is initiated by specialized portfolio teams and reviewed by external expert teams from R&D, Marketing, Operations, Controlling, and Project Management.

### Brand Management

Customer satisfaction and customer loyalty are the fundamental basis for long-lasting business success. Over the past quarter of a century, we have created the strongest brand in the industry and are committed to further developing this key asset. A brand management team is responsible for ensuring that the company strategy and desired customer perception are aligned. The team monitors and ensures consistency of the QIAGEN brand and its various elements. The brand team initiates enhancements to the image and oversees uniform implementation. Through this approach, QIAGEN ensures that the external brand image is consistent.

## Future perspectives

### Strategic Objectives

QIAGEN is playing a pivotal role in the molecular biology revolution by empowering customers to transform raw biological samples into valuable molecular information. We believe QIAGEN is in a strong position to take advantage of the significant opportunities thanks to our global leadership in Sample & Assay Technologies, which is underpinned by a stable and growing customer base, an excellent product portfolio and a pipeline of innovative projects.

QIAGEN believes the relevant global market for Sample & Assay Technologies totals approximately $70 billion. Among the growth drivers in the current business environment are ongoing breakthroughs and insights into molecular biology, new technologies to analyze molecular information, improvements in the quality and reductions in cost of healthcare 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 has established these strategic priorities:

- Address high-growth markets (particularly molecular diagnostics)
- Capitalize on industry-leading innovation
- Execute on product pipeline
- Expand geographic presence
- Further improve operational efficiency

QIAGEN will continue to leverage our global leadership in Sample & Assays technologies to expand in all customer groups. Our strategies for the future are guided by the QIAGEN vision of making improvements in life possible through the use of our innovative products in a growing number of applications.

PHARMA

# HOW DO WE DEVELOP BETTER AND SAFER DRUGS?

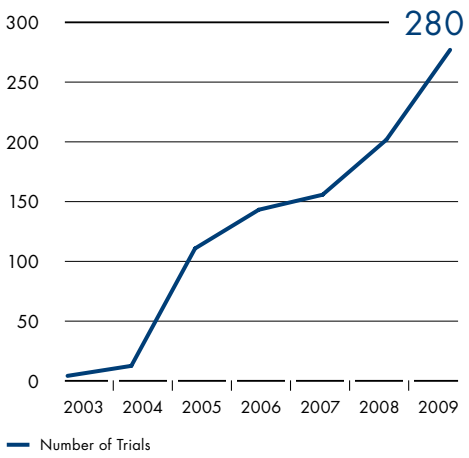
## HELPING TO CREATE BETTER AND SAFER DRUGS

QIAGEN supports gene-based drug discovery and development, including the development of companion diagnostic tests that can evolve into commercialized products.

Customers include large pharmaceutical companies, contract research and service organizations, and increasingly smaller pharmaceutical and biotechnology companies.

QIAGEN offers complete workflow solutions covering the entire R&D continuum, from early-stage research that includes identifying drug targets and potential biomarkers, through clinical development and stratification of patients based on genetic information.

## BIOMARKERS IN TRIALS




Clinical R&D trials increasingly using genetic biomarkers
Source: QIAGEN analysis of Clinicaltrials.gov data

## 2010 HIGHLIGHTS

We significantly strengthened our product offering through the rapid integration of SABiosciences and DxS, both of which were acquired in 2009:

- Research A portfolio of PCR assay panels was launched to help explore and analyze entire biological pathways in cell signaling and diseases such as cancer, cardiovascular disorders and Alzheimer's disease.
- Development We strengthened our offering of biomarkers for target validation and stratification of patients in clinical trials. Some of these biomarkers could become molecular tests commercialized for use as companion diagnostics with new medicines.

## GROWTH STRATEGY

QIAGEN provides advanced technologies for all stages of drug research and development. We facilitate the analysis of disease pathways and discovery of drug targets. Our technologies also help to identify and validate biomarkers, which enhances the prospects for success in clinical trials.

Our customized problem-solving approach and expertise are helping Pharmaceutical customers develop better and safer drugs more quickly. As the industry's structure continues to change, particularly through consolidation of major pharmaceutical companies, QIAGEN is supporting these customers in improving R&D productivity. Another key growth area is the increasing contributions of contract research and service organizations to R&D.

We also continue to pioneer new technologies, such as the increasingly important use of miRNA analysis in drug safety assessment.

# » THE ADVENT OF BIOMARKERS AND COMPANION DIAGNOSTICS WILL DRIVE THE DEMAND FOR MOLECULAR TECHNOLOGIES «

**Dr Tony Jones,** Business Development Director at One Nucleus, Cambridge, UK

### Which impact did molecular technologies have on the pharmaceutical industry?

The advent of molecular technologies such as protein engineering and expression systems contributed massively to an industrialization of pharmaceutical research through assay development and detection systems that allowed automated HTS screening, structure-based drug design and the rise in bio-therapeutics.

### What concrete benefits do molecular technologies offer over traditional methods in this specific field?

These are primarily scalability of hard to study therapeutic targets, cost reduction due to better prediction of ADMET based on highly engineered in vitro systems and better disease target validation as detection technologies and reagents have improved.

### What is needed to drive their further adoption?

The main driver of their further adoption will be the clear business benefit of their use. The advent of biomarkers and companion diagnostics will likely drive even greater demand for molecular technologies that can deliver metrics that strongly correlate with therapeutic efficacy.

### Where do you see their future potential for pharmaceutical research and development?

Their future potential will be greatest in the areas of stratified and personalized medicines, enabling healthcare providers to manage the chronic diseases prevalent in an ageing population, such as diabetes, neurodegeneration and cancer. The ability for molecular technology tools to enable prediction, management and targeted treatment of such medical conditions holds great market potential for their use.

# Corporate Governance

QIAGEN recognizes the importance of clear and straightforward rules on corporate governance and, where appropriate, has adapted its internal organization and processes to these rules.

This section contains 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.

## 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 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

QIAGEN has also established an Executive Committee, of which four members currently serve as Managing Directors.

Our Managing Board currently consists of the following individuals:

| Name | Age* |
|---|---|
| **Peer M. Schatz**<br>Managing Director, Chief Executive Officer | 45 |
| **Roland Sackers**<br>Managing Director, Chief Financial Officer | 42 |
| **Dr. Joachim Schorr**<br>Managing Director, Senior Vice President Research and Development | 50 |
| **Bernd Uder**<br>Managing Director, Senior Vice President Global Sales | 53 |

* As of January 24, 2011

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.

### 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 2010.

### Remuneration

The remuneration of the members of the Managing Board is determined by the Supervisory Board based on a proposal by its Compensation Committee. This process is done in compliance with the Remuneration Policy, which has been drafted taking into account the principles and best practice provisions of the Code. The current Remuneration Policy was adopted by the General Meeting on June 14, 2005.

The remuneration granted to the members of the Managing Board in 2010 consisted 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 that include, but are not limited to, stock options as well as other equity-based compensation and pension plans. Stock options granted to Managing Board members must have an exercise price that is higher than the market price at the time of grant. The variable part of the compensation is designed to strengthen the commitment of Managing Board members to QIAGEN and its objectives.

| Year ended December 31, 2010 | Annual Compensation ($) | | | |
|---|---|---|---|---|
| Name | Fixed Salary | Variable Cash Bonus | Other[1] | Total |
| **Managing Board:** | | | | |
| Peer M. Schatz | 1,219,000 | 502,000 | 1,000 | 1,722,000 |
| Roland Sackers | 522,000 | 179,000 | 43,000 | 744,000 |
| Dr. Joachim Schorr | 341,000 | 124,000 | 23,000 | 488,000 |
| Bernd Uder | 345,000 | 134,000 | 14,000 | 493,000 |

[1] Amounts include, among others, 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 QIAGEN to governmental authorities in order to avoid double-taxation under multi-tax jurisdiction employment agreements.

| Year ended December 31, 2010 | Long-Term Compensation | | |
|---|---|---|---|
| Name | Defined Contribution Benefit Plan | Stock Options | Restricted Stock Units |
| **Managing Board:** | | | |
| Peer M. Schatz | $ 86,000 | 120,903 | 339,470 |
| Roland Sackers | $ 89,000 | 39,564 | 106,179 |
| Dr. Joachim Schorr | $ 33,000 | 18,665 | 50,091 |
| Bernd Uder | $ 54,000 | 8,992 | 54,296 |

Further details on the composition of remuneration for the Managing Board, and the implementation of the Remuneration Policy during 2010 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 2010, the Supervisory Board had six 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.

The Supervisory Board currently consists of the following members:

| Name | Age* |
|---|---|
| **Prof. Dr. Detlev H. Riesner**<br>Chairman of the Supervisory Board, Supervisory Director and Chairman of the Selection and Appointment Committee | 69 |
| **Dr. Werner Brandt**<br>Supervisory Director and Chairman of the Audit Committee | 57 |
| **Dr. Metin Colpan**<br>Supervisory Director | 55 |
| **Erik Hornnaess**<br>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 | 73 |
| **Prof. Dr. Manfred Karobath**<br>Supervisory Director and Member of the Compensation Committee | 69 |
| **Heino von Prondzynski**<br>Supervisory Director and Member of the Audit Committee | 61 |

Prof. Dr. jur. Carsten P. Claussen, who was appointed as nonvoting Special Advisor to the Supervisory Board and Honorary Chairman in 1999, passed away in 2010.

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

Professor Dr. Detlev H. Riesner, 69, is a co-founder of QIAGEN. He has been a member of the Supervisory Board since 1996 and was appointed Chairman of the Supervisory Board in 1999. In 2005, he was also appointed Chairman of the Selection and Appointment Committee. Professor Riesner has held the Chair of Biophysics at Heinrich-Heine-University in Düsseldorf since 1980 and retired in 2006. He has held the positions of Dean of the Science Faculty (1991 – 1992), Vice President of the University (Research) (1996 – 1999) 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 served from 1975 to 1977 as 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 p ost-graduate work at Princeton University. Professor Riesner is a member of the Supervisory Board or a director of AC Immune S.A., Lausanne; Spinal Cord Therapeutics (formerly Neuraxo) GmbH, Erkrath; Evocatal GmbH, Düsseldorf; and DRK Blutspendedienst West, GmbH, Hagen. His memberships in the advisory boards of NewLab Bioquality AG and Direvo AG ended when the companies were sold in 2006. Prof. Riesner is also a member of the scientific advisory boards of the Friedrich-Loeffler-Institut, Isle of Riems; PrioNet, Canada; and Alberta Prion Research Institute, Canada.

Dr. Werner Brandt, 57, joined the Supervisory Board in 2007, and was appointed Chairman of the Audit Committee in this year as well. 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. He completed his Ph.D. in Business Administration at the Technical University of Darmstadt in 1991 after studying Business Administration at the University of Nuremberg-Erlangen from 1976 to 1981. Dr. Brandt is currently a member of the Supervisory Boards of Deutsche Lufthansa AG and Heidelberger Druckmaschinen AG.

Dr. Metin Colpan, 55, is a co-founder of QIAGEN and was Chief Executive Officer and a Managing Director from 1985 to 2003. Dr. Colpan has been a member of the Supervisory Board since 2004. He obtained his Ph.D. and M.S. in Organic Chemistry and Chemical Engineering from the Technical University of Darmstadt in 1983. Prior to founding QIAGEN, Dr. Colpan was an Assistant Investigator at the Institute of Biophysics at the University of Düsseldorf. Dr. Colpan has had wide experience in separation technologies, particularly the separation and purification of nucleic acids, and has filed many patents in the field. Dr. Colpan currently serves as a Supervisory Board member of Morphosys AG, Munich, and Qalovis Farmer Automatic Energy GmbH, Laer. Dr. Colpan previously served as Supervisory Board member of Ingenium Pharmaceuticals AG, GenPat77 Pharmacogenetics AG and GPC Biotech AG, all in Munich.

Erik Hornnaess, 73, 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 from 1965 to 1979 in various management positions in Sweden, Australia, and Canada, and was General Manager for the Benelux region (Belgium, The Netherlands and Luxembourg) for the last three years of this period. In 1979, he joined Abbott Laboratories at its European Headquarters in Paris, and in 1982 he became Area Vice President of the Abbott Diagnostic Division in Europe, Middle East and Africa, with its headquarters in Wiesbaden. Mr. Hornnaess retired from Abbott Laboratories on March 1, 1997, and currently serves as non-executive director of AXIS-SHIELDS Group, Scotland. Additionally, Mr. Hornnaess served as Vice President of the European Diagnostic Manufacturers Association (EDMA), Brussels, from 1995 to 1997. Mr. Hornnaess graduated from Aarhus Handelshojskole, Denmark, with an M.B.A. and obtained a P.M.D. from the Harvard Business School.

Professor Dr. Manfred Karobath, 69 has been a member of the Supervisory Board since 2000 and joined the Compensation Committee in 2005. Prof. Dr. Karobath, who studied medicine, first worked in the Department of Biochemistry at the University of Vienna from 1967 to 1980. After his postdoctoral fellowship, he joined the Department of Psychiatry, where he became a Professor of Biological Psychiatry. In 1980, he joined Sandoz Pharma, Basel, working first in drug discovery and later becoming 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 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, 61, joined the 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, and later as President of the Vaccines Division in Emeryville. 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. Mr. von Prondzynski is a director of Koninklijke Philips Electronics N.V. and Hospira, Inc. as well as Chairman of Nobel Biocare Holding AG and HTL Strefa. Mr. von Prondzynski was previously a director of Epigenomics AG.

### 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 2010, neither QIAGEN nor its Supervisory Board members have entered into any such transactions.

### Committees

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).

#### 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 is also 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), Mr. von Prondzynski, 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 seven times in 2010, of which one meeting took place together with the external auditor and excluding members of the Managing Board. 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 Remunera-

tion 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 two members: Mr. Hornnaess (Chairman) 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 2010. 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 convened three times in 2010.

### Remuneration

Compensation for the Supervisory Board in 2010 consisted of a 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.

| Year ended December 31, 2010 ($) Name | Fixed Remuneration | Chairman / Vice Chairman Committee | Committee Membership | Meeting Attendance | Subcommittee Meeting Attendance | Variable Cash Remuneration | Total |
|---|---|---|---|---|---|---|---|
| **Supervisory Board:** | | | | | | | |
| Prof. Dr. Detlev H. Riesner | 40,000 | 26,500 | — | 8,000 | 2,500 | 6,500 | 83,500 |
| Dr. Werner Brandt | 40,000 | 20,000 | — | 8,000 | — | 6,500 | 74,500 |
| Dr. Metin Colpan | 40,000 | — | — | 8,000 | 2,500 | 6,500 | 57,000 |
| Erik Hornnaess | 40,000 | 20,000 | 10,000 | 6,500 | — | 6,500 | 83,000 |
| Prof. Dr. Manfred Karobath | 40,000 | — | 6,500 | 6,500 | 2,500 | 6,500 | 62,000 |
| Heino von Prondzynski | 40,000 | — | 10,000 | 6,500 | 2,500 | 6,500 | 65,500 |

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. During 2010, the following options or other share-based compensation were granted to the members of the Supervisory Board.

| Year ended December 31, 2010 | Grants | |
|---|---|---|
| Name | Stock Options | Restricted Stock Units |
| **Supervisory Board:** | | |
| Prof. Dr. Detlev H. Riesner | 1,649 | 4,424 |
| Dr. Werner Brandt | 1,649 | 4,424 |
| Dr. Metin Colpan | 1,649 | 4,424 |
| Erik Hornnaess | 1,649 | 4,424 |
| Prof. Dr. Manfred Karobath | 1,649 | 4,424 |
| Heino von Prondzynski | 1,649 | 4,424 |

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 is paid a fee of €2,750 per day for scientific consulting services, subject to adjustment. During 2010, QIAGEN paid approximately $300,000 to Dr. Colpan for scientific consulting services including travel reimbursements under this agreement. We did not pay any agency or advisory service fees to other members of the Supervisory Board.

# Share Ownership

## Share Ownership

The following table sets forth certain information as of January 24, 2011, concerning the ownership of common shares by our directors and officers. In preparing the following table, we have relied on information furnished by these individuals.

| Name and Country of Residence | Shares Beneficially Owned[1] | Percent Ownership[2] |
|---|---|---|
| Peer M. Schatz, Germany | 1,550,684[3] | 0.67% |
| Roland Sackers, Germany | 0[4] | * |
| Dr. Joachim Schorr, Germany | 0[5] | * |
| Bernd Uder, Germany | 0[6] | * |
| Prof. Dr. Detlev H. Riesner, Germany | 1,752,068[7] | 0.75% |
| Dr. Werner Brandt, Germany | 6,000[8] | * |
| Dr. Metin Colpan, Germany | 4,538,703[9] | 1.95% |
| Erik Hornnaess, Spain | 11,255[10] | * |
| Professor Dr. Manfred Karobath, Austria | 1,590[11] | * |
| Heino von Prondzynski, Switzerland | 0[12] | * |

* Indicates that the person beneficially owns less than 0.5% of the Common Shares issued and outstanding as of January 24, 2011.

[1] The number of common shares issued and outstanding as of January 24, 2011, was 233,162,596. 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 other shareholders with respect to common shares.

[2] Does not include common shares subject to options or awards held by such persons at January 24, 2011. 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 2,539,521 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 ranging from $4.590 to $22.430 per share. Options expire in increments during the period between March 2011 and February 2020. Does not include 103,471 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 100,198 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 $16.340 to $22.430 per share. Options expire in increments during the period between March 2011 and February 2020. Does not include 85,334 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 127,015 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 $12.546 to $22.430 per share. Options expire in increments during the period between October 2011 and February 2020. Does not include 16,076 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 67,599 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 $16.340 to $22.430 per share. Options expire in increments during the period between March 2011 and February 2020. Does not include 15,267 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 83,375 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 March 2011 and February 2020. Prof. Riesner also has the option to purchase 82,302 common shares through Thomé Asset Management&Controlling. Includes 1,752,068 shares held by Riesner Verwaltungs GmbH, of which Professor Riesner is the sole stockholder.

[8] Does not include 2,766 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 $16.340 to $22.430 per share. Options expire in increments during the period between April 2018 and February 2020.

[9] Does not include 776,858 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 March 2011 and February 2020. 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.

[10] Does not include 92,708 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 March 2011 and February 2020.

[11] Does not include 86,708 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 March 2011 and February 2020.

[12] Does not include 2,766 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 $16.340 to $22.430 per share. Options expire in increments during the period between April 2018 and February 2020.

The following table sets forth the vested and unvested options and stock awards of our officers and directors as of January 24, 2011:

| Name | Total Vested Options | Total Unvested Options | Expiration Dates | Exercise Price | Total Unvested Stock Awards |
|---|---|---|---|---|---|
| Peer M. Schatz | 2,424,009 | 236,955 | 3/2011 to 2/2020 | $4.590 to $22.430 | 1,182,900 |
| Roland Sackers | 62,425 | 77,521 | 3/2011 to 2/2020 | $16.340 to $22.430 | 377,885 |
| Dr. Joachim Schorr | 109,091 | 36,731 | 10/2011 to 2/2020 | $12.546 to $22.430 | 180,054 |
| Bernd Uder | 53,474 | 26,176 | 3/2011 to 2/2020 | $16.340 to $22.430 | 179,658 |
| Prof. Dr. Detlev H. Riesner | 82,180 | 3,404 | 3/2011 to 2/2020 | $6.018 to $22.430 | 16,508 |
| Dr. Werner Brandt | 1,571 | 3,404 | 4/2018 to 2/2020 | $16.340 to $22.430 | 13,276 |
| Dr. Metin Colpan | 775,663 | 3,404 | 3/2011 to 2/2020 | $6.018 to $22.430 | 16,508 |
| Erik Hornnaess | 91,513 | 3,404 | 3/2011 to 2/2020 | $6.018 to $22.430 | 16,508 |
| Prof. Dr. Manfred Karobath | 85,513 | 3,404 | 3/2011 to 2/2020 | $6.018 to $22.430 | 16,508 |
| Heino von Prondzynski | 1,571 | 3,404 | 4/2018 to 2/2020 | $16.340 to $22.430 | 13,276 |

# 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 representing at least 10% of QIAGEN's issued share capital. 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 2010, Ernst&Young Accountants was appointed as external auditor for the Company for 2010.

## Share-Based Compensation

During 2005, the QIAGEN N.V. Amended and Restated 2005 Stock Plan (the Plan) was adopted. 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 grants have been at or above the market value set on the grant date. In connection with the acquisition of Digene Corporation in 2007, QIAGEN assumed three additional equity incentive plans. No new grants will be made under these plans.

QIAGEN had approximately 0.3 million common shares reserved and available for issuance under these plans at December 31, 2010.

## Stock Options

During the years ended December 31, 2010 and 2009, QIAGEN granted 570,282 and 491,714 stock options, respectively. A summary of the status of employee stock options as of December 31, 2010, and changes during the year is presented below:

| All Employee Options | Number of Shares | Weighted Average Exercise Price | Weighted Average Contractual Term | Aggregate Intrinsic Value ($ 1,000) |
|---|---|---|---|---|
| Outstanding at January 1, 2010 | 8,281,559 | $ 14.743 | | |
| Granted | 570,282 | $ 21.271 | | |
| Exercised | (924,529) | $ 12.469 | | |
| Forfeited and cancelled | (594,901) | $ 35.421 | | |
| **Outstanding at December 31, 2010** | **7,332,411** | **$ 13.860** | **3.66** | **$ 44,740** |
| **Exercisable at December 31, 2010** | **6,351,142** | **$ 12.927** | **2.88** | **$ 43,864** |
| **Vested and expected to vest at December 31, 2010** | **7,248,637** | **$ 13.790** | **3.60** | **$ 44,700** |

## Restricted Stock Units

Restricted stock units represent rights to receive common shares at a future date. There is no exercise price and the fair market value at the time of grant is recognized ratably over the requisite vesting period, generally 10 years. A summary of QIAGEN's restricted stock units as of December 31, 2010, and changes during the year are presented below:

| Restricted Stock Units | Restricted Stock Units | Weighted Average Contractual Term | Aggregate Intrinsic Value ($ 1,000) |
|---|---|---|---|
| Outstanding at January 1, 2010 | 3,039,157 | | |
| Granted | 1,647,579 | | |
| Vested | (115,809) | | |
| Forfeited and cancelled | (154,287) | | |
| **Outstanding at December 31, 2010** | **4,416,640** | **3.07** | **$ 85,904** |
| **Vested and expected to vest at December 31, 2010** | **3,594,698** | **2.95** | **$ 69,917** |

## Risk Management

QIAGEN has identified various risk factors for our business that are reviewed in detail in the 2010 Form 20-F filed with the U.S. Securities and Exchange Commission. There may be current risks that we have not yet fully assessed or that are currently qualified as minor, but could have a material adverse impact on our performance in the future. 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. A variety of functional experts evaluate these business risks, attempting to mitigate and manage these risks.

Risks identified by QIAGEN are subdivided into four major categories with the following key focus areas identified:

| Functional Group | Risk Management Focus |
|---|---|
| Strategic Risks | Identification and monitoring of competitive threats to the business |
| | Complexity of product portfolio |
| | Identification and development of key R&D projects |
| Operational Risk | Monitoring of production risks including contamination prevention, high-quality product assurance and existence of appropriate redundancy of operations |
| | Dependence on individual production sites for certain key products |
| Compliance / Legal Risks | Regulatory risk, including compliance with various regulatory bodies |
| | Monitoring of safety in operations and environmental hazard risks |
| | Monitoring of intellectual property infringements and recommendations to enhance our IP protection through new patents |
| Financial&Financial Reporting Risks | Tax compliance |
| | Counterparty risk |
| | Goodwill impairment |

The senior executives managing these functional groups report either to the Chief Executive Officer or to a member of the Executive Committee. These executives, in connection with the Chief Financial Officer, make strategic determinations as to the proper risk management procedures to be employed based on their assessment of the risk level.

All identified risks are required to be systematically evaluated based on their likelihood of occurring and their potential impact (estimated in monetary terms). The goal is to determine risks that could significantly threaten our success. The results of the risk assessment and any updates are reported to the Audit Committee on a quarterly basis. 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.

In 2008, QIAGEN established a Compliance Committee under the leadership of the Chief Financial Officer in his function as Chief Compliance Officer. The Compliance Committee, which consists of senior executives from Human Resources, Internal Audit, SEC Reporting, Legal and Regulatory, performs a quarterly assessment of the legal and regulatory risks, and initiates any required corrective actions.

With publicly listed shares in the United States, QIAGEN is subject to Sections 302 and 404 of the Sarbanes Oxley Act. QIAGEN enacted internal controls and procedures over its financial reporting in 2006 as described in more detail in item 15 of the 2010 Annual Report on Form 20-F. In a report on its audit of internal controls over financial reporting, the external auditor Ernst&Young expressed the opinion that QIAGEN has maintained in all material respects effective internal control over financial reporting as of December 31, 2010, under the applied criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), an organization formed by various professional accounting and auditing associations in the U.S.

### 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.

### Dutch Corporate Governance Code

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. All 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. Uder and Dr. Schorr 24 months, 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 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 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. Further, 50% of the restricted stock unit grants made to Dr. Schorr and Mr. Uder in 2011 are linked to certain pre-defined milestones that must be achieved before receiving the grants (in addition to the vesting periods).

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 obligated 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 practise 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 practise provision III.3.5 recommends that a person may be appointed to the supervisory board for a maximum of three four-year terms.

   The Chairman of the Supervisory Board, Prof. Riesner, has been a member of the Supervisory Board of QIAGEN N.V. since its establishment in 1996. Further, Mr. Hornnaess has served on the Supervisory Board since 1998. Prof. Riesner contributes his profound scientific expertise and excellent connections in the scientific community to the board profile, while Mr. Hornnaess contributes significant value due to his long-term experience in various management positions in the life science 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 both members beyond the 12-year term as recommended by the Code.

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 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 restricted stock units are subject to multi-year 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.

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. All members of the Managing Board have additional employment agreements with other QIAGEN affiliates that have longer notice periods (Mr. Uder and Dr. Schorr 24 months, Mr. Schatz and Mr. Sackers 36 months). In case of a termination without serious cause as defined by the applicable law, QIAGEN would remain obligated 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, Mr. Uder and Dr. Schorr 2 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.

**4. Item 5.4.5**

Every member of the Supervisory Board must take care that he / she has sufficient time to perform his / her mandate. Members of the Management Board of a listed company shall not accept more than a total of three Supervisory Board mandates in non-group listed companies or in supervisory bodies of companies with similar requirements.

In addition to his position as a Supervisory Board member of QIAGEN, Mr. von Prondzynski is a director of Koninklijke Philips Electronics N.V. and Hospira, Inc. as well as Chairman of Nobel Biocare Holding AG and HTL Strefa. Mr. von Prondzynski has assured the Supervisory Board that he has sufficient capacity to fulfill his obligations to QIAGEN as well as to his other board mandates.

# Report of the Supervisory Board

**To our Shareholders:**

The Supervisory Board wishes to thank all QIAGEN employees and members of the Executive Committee for contributing to our many accomplishments in 2010. We would also like to thank our customers and business partners for honoring QIAGEN with their continued collaboration and trust.

2010 was another year of strategic achievements for QIAGEN as we further advanced our leadership in Sample & Assay Technologies across all of our customer classes. Important milestones in 2010 underscored our global business expansion led by innovative new products and strategic transactions that complement our internal growth initiatives. In late 2010, we successfully launched QIAsymphony RGQ, a next-generation automated modular testing platform that we believe will play a key role in disseminating the use of molecular technologies around the world. In January 2010, we also acquired ESE GmbH, gaining access to a portable, battery-operated analysis system that enables molecular testing in settings where a laboratory infrastructure is not accessible and fast results are needed. We view these actions, which include many others in 2010, as advancing our strategic objective to drive innovation and growth by leveraging our leadership in Sample & Assay Technologies.

As empowered by the Dutch Corporate Governance Code, the Supervisory Board devoted considerable time in 2010 to discussing the corporate strategy, the main risks of the business and the result of the 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 and desired profile in various meetings. Although we came to the conclusion that the Managing Board and the Supervisory Board properly functioned, we decided to search for additional candidates in our aim to expand the profile of the Supervisory Board in terms of competences, experiences and international background. We are now very pleased to propose two new highly skilled international executives for election to our Board: Dr. Vera Kallmeyer, M.D., Ph.D.; and Elizabeth E. Tallett. Dr. Vera Kallmeyer is a Consulting Professor in the Department of Neurosurgery at Stanford School of Medicine, where she teaches courses in biomedical innovation, translational medicine and entrepreneurship. Elizabeth E. Tallett is a respected leader with more than 30 years of experience in the pharmaceutical and biotechnology as well as broader healthcare and financial industries. Their perspectives, international experience in healthcare and academic research as well as their diverse business backgrounds will be valuable resources to QIAGEN as we expand our leading position in Sample & Assay Technologies and their use in research, applied markets and clinical diagnostics. The updated profile of the Supervisory Board can be found on QIAGEN's website. 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 as well as pension plans. The Remuneration Policy and the various aspects of compensation, including the detailed remuneration of individual Managing Board members for various components, are described in greater detail in the Remuneration Report, which is also available on QIAGEN's website. Information on QIAGEN's activities was communicated by the Manag-

ing Board to the Supervisory Board through regular meetings and business reports. The Supervisory Board has appointed an Audit Committee, a Compensation Committee and a Selection and Appointment (Nomination) Committee, each composed of Supervisory Board members, and can appoint other committees as deemed beneficial. The Supervisory Board has approved charters pursuant to which each of the committees operates. The charters are published on QIAGEN's website. Further detailed information on the composition of the Supervisory Board and its committees, the number of committee meetings held in 2010 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 six times during the course of 2010 with regular attendance of the members of the Managing Board. We are pleased to report very high attendance at our meetings – no member of the Supervisory Board was frequently absent from the Supervisory Board meetings in 2010. 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 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 due to his former position as CEO of QIAGEN. Additional information on how the duties of the Supervisory Board committees were carried out in 2010 can be found in the Corporate Governance Report.

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

QIAGEN believes all of our 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 in Europe hold the majority of QIAGEN's common shares. We have used funds to fuel internal growth and to finance acquisitions. The Supervisory Board proposes to retain earnings from 2010 to address these goals. We strongly believe that this policy of increasing shareholder value benefits our shareholders.

In this Annual Report, the financial statements for 2010 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. We recommend that the Annual General Meeting of Shareholders adopts the financial statements for 2010 as presented in this Annual Report. Additionally, we request the shareholders to discharge the members of the Managing Board of their responsibility for the conduct of business in 2010 and the members of the Supervisory Board for their supervision of management.

The term of office for the members of the Supervisory Board expires as of the close of the Annual General Meeting of Shareholders of QIAGEN N.V., which is scheduled for

June 30, 2011. Dr. Vera Kallmeyer and Elizabeth E. Tallett will stand for election, and Prof. Dr. Detlev H. Riesner, Dr. Werner Brandt, Dr. Metin Colpan, Erik Hornnaess, Prof. Dr. Manfred Karobath and Heino von Prondzynski will stand for re-election at this meeting.

The Supervisory Board proposed during the Joint Meeting of members of the Supervisory Board and Managing Board that the members of the Managing Board be re-elected at the Annual General Meeting of Shareholders on June 30, 2011.

Venlo, the Netherlands, April 2011

Prof. Dr. Detlev H. Riesner
Chairman of the Supervisory Board

# In Memoriam

**Prof. Dr. jur. Dr. h.c. Carsten P. Claussen**

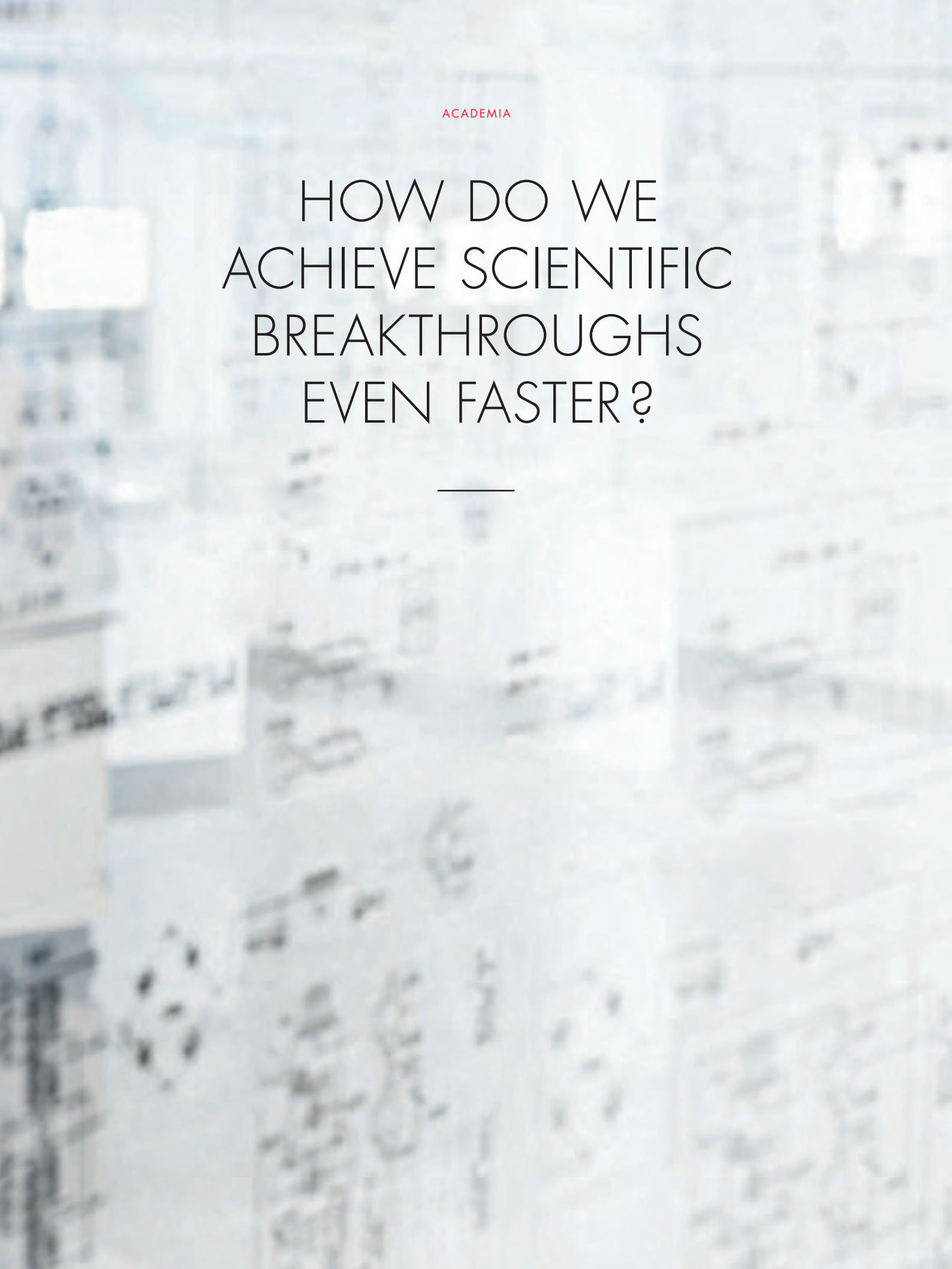
Prof. Dr. jur. Dr. h.c. Carsten P. Claussen, long-time Chairman of the QIAGEN Supervisory Board, passed away on June 30, 2010, at the age of 83.

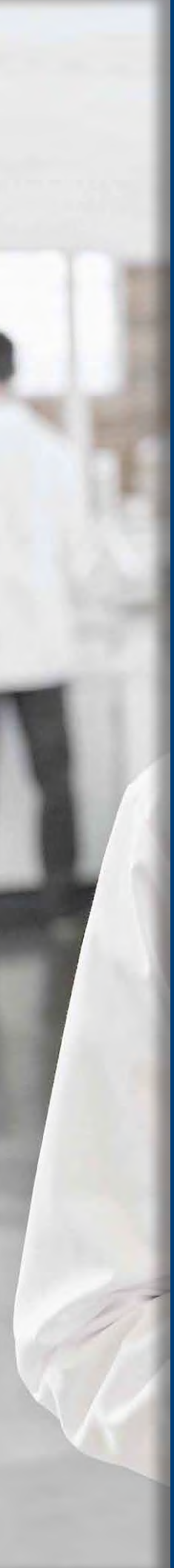
Professor Claussen played an integral part in the shaping and development of QIAGEN. Through his dedication and commitment to the company, QIAGEN has developed into what it is today. Some of you who have known Professor Claussen personally will remember his great passion for QIAGEN and its entrepreneurial spirit and his invaluable guidance and advice which was based on a deep business and academic experience. Even after his retirement from the Supervisory Board in 1999, he remained close to QIAGEN, following our every step and helping to provide important insights that have guided our progress. As Honorary Chairman, he was always a highly respected advisor and friend to management and many others with whom he worked closely.

We are all deeply indebted to him for his loyalty and commitment over the years. QIAGEN will always treasure his significant contributions.

ACADEMIA

# HOW DO WE ACHIEVE SCIENTIFIC BREAKTHROUGHS EVEN FASTER?





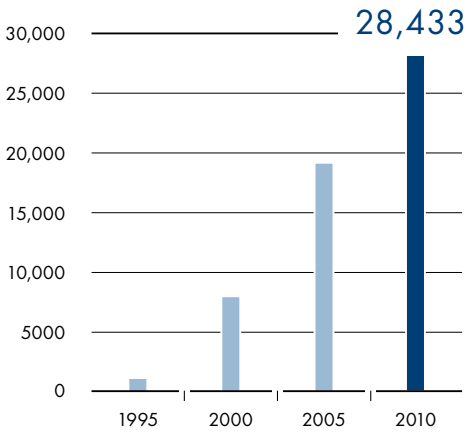
## HELPING SCIENTISTS ACHIEVE BREAKTHROUGHS

Advanced technologies from QIAGEN are helping scientists in academic research achieve breakthroughs that are helping to better understand the molecular basics of life. Our products provide researchers with confidence in the quality and comparability of results.

Customers include life science laboratories at virtually all of the world's public and private research institutes as well as universities.

QIAGEN is deeply rooted in life science research and partners closely with scientists to understand their needs. Innovation in Academia sets the pace for future commercial developments, keeping us at the forefront of breakthroughs for all of our customers.

## SCIENTIFIC PRESENCE




Number of QIAGEN References
Increasing presence of QIAGEN in scientific publications
Source: QIAGEN survey of various publications

## HIGHLIGHTS 2010

QIAGEN has continued to deliver innovative new solutions for academic customers:

- We further expanded our portfolio of Sample & Assay technologies for molecular analysis of FFPE (formalin-fixed, paraffin-embedded) tissue samples, which is the standard in biobanks but has been a challenge for laboratories.
- Continued success was achieved with pyrosequencing, a next-generation sequence-based detection technology used in a broad range of applications that include epigenetic research. QIAGEN has doubled the number of installed devices acquiring this technology in 2008.
- The SeqTarget product portfolio was launched for the effective preparation of samples for use in next-generation sequencing.

## GROWTH STRATEGY

The academic market, sustained by the commitment of many countries to the pursuit of research and innovation, offers many opportunities for long-term growth and is anchored by our strong relationships with customers and technology leadership.

Building on our leadership in sample preparation technologies, QIAGEN is increasingly providing innovations in assay technologies and addressing breakthrough topics in research. We are also addressing the vibrant research sector in the emerging markets of Asia and Latin America.

As many academic laboratories strive to improve efficiency amid challenging economic conditions, we are also exploring how our automation platforms could help scientists more rapidly achieve precise research results.

# » MOLECULAR TECHNOLOGIES HAVE ENABLED ME TO WORK QUICKLY AND REPRODUCE RESULTS «

**Prof. Attila Lorincz**, Wolfson Institute of Preventive Medicine, Queen Mary University of London, UK

### Which impact did molecular technologies have on your work?

My research in molecular epidemiology (ME) is totally dependent on molecular technologies such as extraction of high quality nucleic acids from very small clinical specimens, various PCR approaches and DNA sequencing. Molecular Technologies have enabled me to work quickly and reproduce results in the discovery and validation of new cancer biomarkers and assay methods.

### What concrete benefits do molecular technologies offer over traditional methods in your specific field?

Traditional lab methods in ME are complex, slow, often irreproducible and do not allow comprehensive molecular studies. Such research requires extensive and ongoing quality control of materials which is difficult or impossible for most researchers. I use standardized kits whenever possible as the benefits of reproducible quality and generalizable data more than compensate for additional costs.

### What is needed to drive their further adoption?

Research can be wasted if data cannot be confirmed by other teams, this may be due to use of different or uncontrolled reagents. Molecular techniques are remarkably accurate but also need great care in preparation, storage and use. As investigators become more aware of the benefits of molecular kits and as kits become more robust and cost-effective their adoption will become virtually universal in high-quality research labs.

### Where do you see their future potential for the academic research market?

It is clear that human disease is the result of aberrant data flow between the genome and the phenotype. Research to understand the interactions of environment, epigenotype, classical genotype and phenotype are advancing quickly via traditional methods as well as various molecular "omics" sciences. Inexpensive deep sequencing and comprehensive global methylation and expression studies are starting to lead to a data explosion from which we will fully understand the true nature of the human living system and errors that lead to cancer and chronic disease.

# Financial Results

## CONSOLIDATED BALANCE SHEETS ASSETS

| $ 1,000 | Note | As of December 31 2010 | 2009 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets:** | | | |
| Cash and cash equivalents | (2) | 828,407 | 825,557 |
| Short-term investments | (8) | 106,077 | 40,000 |
| Accounts receivable, net of allowance for doubtful accounts of $3,227 and $3,402 in 2010 and 2009, respectively | (2) | 197,418 | 193,737 |
| Income taxes receivable | | 10,920 | 12,907 |
| Inventories, net | (2) | 126,633 | 130,851 |
| Prepaid expenses and other current assets | (9) | 64,402 | 96,893 |
| Deferred income taxes | (13) | 30,731 | 33,525 |
| **Total current assets** | | **1,364,588** | **1,333,470** |
| **Long-Term Assets:** | | | |
| Property, plant and equipment, net | (10) | 345,664 | 317,467 |
| Goodwill | (12) | 1,352,281 | 1,337,064 |
| Intangible assets, net of accumulated amortization of $312,326 and $219,731 in 2010 and 2009, respectively | (12) | 753,327 | 752,296 |
| Deferred income taxes | (13) | 37,182 | 26,387 |
| Other long-term assets | | 60,953 | 29,780 |
| **Total long-term assets** | | **2,549,407** | **2,462,994** |
| **Total assets** | | **3,913,995** | **3,796,464** |

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

## CONSOLIDATED BALANCE SHEETS, LIABILITIES AND SHAREHOLDERS' EQUITY

| | | As of December 31 | |
|---|---|---|---|
| **$ 1,000** | **Note** | **2010** | **2009** |
| **Liabilities and Shareholders' Equity** | | | |
| **Current Liabilities:** | | | |
| Accounts payable | | 47,803 | 43,775 |
| Accrued and other liabilities (of which $6,296 in 2010 and 2009 due to related parties) | (14), (19) | 209,054 | 252,116 |
| Income taxes payable | | 25,211 | 10,727 |
| Current portion of long-term debt | (15) | 75,835 | 50,000 |
| Deferred income taxes | (13) | 30,504 | 18,912 |
| **Total current liabilities** | | **388,407** | **375,530** |
| **Long-Term Liabilities:** | | | |
| Long-term debt, net of current portion (of which $445,000 in 2010 and 2009 due to related parties) | (15), (19) | 797,171 | 870,000 |
| Deferred income taxes | (13) | 200,667 | 212,690 |
| Other | | 51,397 | 47,075 |
| **Total long-term liabilities** | | **1,049,235** | **1,129,765** |
| **Commitments and Contingencies** | **(17)** | | |
| **Shareholders' Equity:** | | | |
| Preference shares, €0.01 par value, authorized –450,000 shares, no shares issued and outstanding | | — | — |
| Financing preference shares, €0.01 par value, authorized –40,000 shares, no shares issued and outstanding | | — | — |
| Common shares, €0.01 par value, authorized–410,000 shares, issued and outstanding–233,115 and 232,074 shares at December 31, 2010 and 2009, respectively | | 2,724 | 2,711 |
| Additional paid-in capital | | 1,648,985 | 1,622,733 |
| Retained earnings | | 759,890 | 615,579 |
| Accumulated other comprehensive income | (5) | 64,754 | 50,146 |
| **Total shareholders' equity** | | **2,476,353** | **2,291,169** |
| **Total liabilities and shareholders' equity** | | **3,913,995** | **3,796,464** |

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

## CONSOLIDATED STATEMENTS OF INCOME

| $ 1,000 except per share data | Note | 2010 | Years ended December 31 2009 | 2008 |
|---|---|---|---|---|
| Net sales | (2) | 1,087,431 | **1,009,825** | **892,975** |
| Cost of sales | | 371,869 | 342,752 | 293,285 |
| **Gross profit** | | **715,562** | **667,073** | **599,690** |
| | | | | |
| **Operating Expenses:** | | | | |
| Research and development | (2) | 126,040 | 107,900 | 97,331 |
| Sales and marketing | | 267,484 | 244,814 | 227,408 |
| General and administrative, integration and other | (2) | 110,009 | 115,933 | 113,936 |
| Acquisition-related intangible amortization | | 23,492 | 18,221 | 14,368 |
| Purchased in-process research and development | | — | — | 985 |
| **Total operating expenses** | | **527,025** | **486,868** | **454,028** |
| **Income from operations** | | **188,537** | **180,205** | **145,662** |
| | | | | |
| **Other Income (Expense):** | | | | |
| Interest income | | 4,457 | 3,522 | 9,511 |
| Interest expense | | (27,815) | (29,641) | (37,527) |
| Other income, net | | 7,942 | 18,244 | 1,640 |
| Total other expense | | (15,416) | (7,875) | (26,376) |
| Income before provision for income taxes and noncontrolling interest | | 173,121 | 172,330 | 119,286 |
| Provision for income taxes | (2), (13) | 28,810 | 34,563 | 29,762 |
| **Net income** | | **144,311** | **137,767** | **89,524** |
| Less: Noncontrolling interest | | — | — | 491 |
| Net income attributable to the owners of QIAGEN N.V. | | 144,311 | 137,767 | 89,033 |
| Basic net income per common share attributable to the owners of QIAGEN N.V. | | 0.62 | 0.67 | 0.45 |
| Diluted net income per common share attributable to the owners of QIAGEN N.V. | | 0.60 | 0.64 | 0.44 |
| Shares used in computing basic net income per common share | (3) | 232,635 | 206,928 | 196,804 |
| **Shares used in computing diluted net income per common share** | **(3)** | **240,483** | **213,612** | **204,259** |

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | | Years ended December 31 | | |
|---|---|---|---|---|
| **$ 1,000** | **Note** | **2010** | **2009** | **2008** |
| Net income | | 144,311 | **137,767** | **89,033** |
| Gains (losses) on cash flow hedges, before tax | (6) | 14,636 | (12,741) | (6,010) |
| Reclassification adjustments on cash flow hedges, before tax | (6) | (8,874) | 8,367 | 567 |
| Cash flow hedges, before tax | | 5,762 | (4,374) | (5,443) |
| Available-for-sale short-term investments, before tax | | — | — | (900) |
| Gains (losses) on pensions, before tax | | (184) | 300 | 93 |
| Foreign currency translation adjustments, before tax | | 10,920 | 42,001 | (64,046) |
| Other comprehensive income, before tax | | 16,498 | 37,927 | (70,296) |
| Income tax relating to components of other comprehensive income | | (1,890) | (2,936) | 10,427 |
| Other comprehensive income, after tax | | 14,608 | 34,991 | (59,869) |
| **Total comprehensive income** | | **158,919** | **172,758** | **29,164** |
| **Income from operations** | | **188,537** | **180,205** | **145,662** |

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

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| $ 1,000 | Common Shares | | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| **Balance at December 31, 2007** | **195,335** | **2,175** | **925,597** | **388,779** | **75,024** | **1,391,575** |
| Net income | — | — | — | 89,033 | — | 89,033 |
| Unrealized loss, net on hedging contracts | — | — | — | — | (3,920) | (3,920) |
| Realized loss, net on hedging contracts | — | — | — | — | 533 | 533 |
| Realized gain, net on short-term investments | — | — | — | — | (780) | (780) |
| Unrealized gain, net on pension | — | — | — | — | 65 | 65 |
| Translation adjustment | — | — | — | — | (55,767) | (55,767) |
| Stock issued for the acquisition of eGene Inc. | 17 | 1 | 301 | — | — | 302 |
| Stock issued for the acquisition of Corbett | 219 | 3 | 4,231 | — | — | 4,234 |
| Common stock issuances from conversion of warrants | 395 | 5 | 4,995 | — | — | 5,000 |
| Common stock issuances under employee stock plans | 1,873 | 28 | 13,427 | — | — | 13,455 |
| Tax benefit of employee stock plans | — | — | (662) | — | — | (662) |
| Share-based compensation | — | — | 9,791 | — | — | 9,791 |
| Proceeds from subscription receivables | — | — | 985 | — | — | 985 |
| **Balance at December 31, 2008** | **197,839** | **2,212** | **958,665** | **477,812** | **15,155** | **1,453,844** |
| Net income | — | — | — | 137,767 | — | 137,767 |
| Unrealized loss, net on hedging contracts | — | — | — | — | (9,005) | (9,005) |
| Realized loss, net on hedging contracts | — | — | — | — | 5,841 | 5,841 |
| Unrealized gain, net on pension | — | — | — | — | 210 | 210 |
| Translation adjustment | — | — | — | — | 37,945 | 37,945 |
| Common stock issuance from public offering | 31,625 | 462 | 623,109 | — | — | 623,571 |
| Common stock issuances from conversion of warrants | — | — | 1 | — | — | 1 |
| Common stock issuances under employee stock plans | 2,610 | 37 | 26,883 | — | — | 26,920 |
| Tax benefit of employee stock plans | — | — | 3,363 | — | — | 3,363 |
| Share-based compensation | — | — | 9,747 | — | — | 9,747 |
| Proceeds from subscription receivables | — | — | 965 | — | — | 965 |
| **Balance at December 31, 2009** | **232,074** | **2,711** | **1,622,733** | **615,579** | **50,146** | **2,291,169** |

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| $ 1,000 | | Common Shares | | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| | | Shares | Amount | | | | |
| Net income | | — | — | — | 144,311 | — | 144,311 |
| Unrealized gain, net on hedging contracts | (5) | — | — | — | — | 9,807 | 9,807 |
| Realized gain, net on hedging contracts | (5) | — | — | — | — | (6,125) | (6,125) |
| Unrealized loss, net on pension | (5) | — | — | — | — | (129) | (129) |
| Translation adjustment | (5) | — | — | — | — | 11,055 | 11,055 |
| Common stock issuances under employee stock plans | | 1,041 | 13 | 11,228 | — | — | 11,241 |
| Tax benefit of employee stock plans | | — | — | 445 | — | — | 445 |
| Share-based compensation | (16) | — | — | 13,592 | — | — | 13,592 |
| Proceeds from subscription receivables | | — | — | 987 | — | — | 987 |
| **Balance at December 31, 2010** | | **233,115** | **2,724** | **1,648,985** | **759,890** | **64,754** | **2,476,353** |

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| $ 1,000 | Note | 2010 | 2009 | 2008 |
|---|---|---|---|---|
| | | | Years ended December 31 | |
| **Cash Flows From Operating Activities:** | | | | |
| Net income | | 144,311 | 137,767 | 89,033 |
| Adjustments to reconcile net income to net cash provided by operating activities, net of effects of businesses acquired: | | | | |
| Depreciation and amortization | | 57,511 | 48,575 | 42,618 |
| Amortization of acquisition-related intangible assets | | 85,268 | 71,819 | 63,086 |
| Purchased in-process research and development | | — | — | 985 |
| Non-cash acquisition-related costs | | — | 10,030 | 5,869 |
| Share-based compensation: | | | | |
| Share-based compensation expense | (16) | 13,592 | 9,747 | 9,791 |
| Excess tax benefits from share-based compensation | | (1,976) | (5,942) | (1,775) |
| Deferred income taxes | (13) | (19,942) | (10,609) | (2,563) |
| Gain on sale of investments | | — | (11,501) | — |
| Other including sale from non-monetary exchange | | (12,113) | 1,907 | (843) |
| Net changes in operating assets and liabilities: | | | | |
| Accounts receivable | (2) | (6,884) | (25,213) | (19,078) |
| Inventories | (2) | 2,348 | (21,534) | (30,371) |
| Prepaid expenses and other | (9) | 6,431 | (9,364) | (396) |
| Other assets | | (2,965) | (8,213) | 4,975 |
| Accounts payable | | 3,482 | (9,076) | 5,753 |
| Accrued and other liabilities | (14) | (26,983) | 23,859 | 19,081 |
| Income taxes | (13) | 13,639 | 12,473 | (13,536) |
| Other | | (4,967) | 2,270 | 369 |
| Net cash provided by operating activities | | 250,752 | 216,995 | 172,998 |
| **Cash Flows From Investing Activities:** | | | | |
| Purchases of property, plant and equipment | | (79,666) | (52,179) | (39,448) |
| Proceeds from sale of equipment | | 3,474 | 869 | 1,233 |
| Purchases of intangible assets | | (44,243) | (17,178) | (18,469) |
| Proceeds from sale / (purchases) of investments | | 7,985 | 1,476 | (4,175) |
| Purchases of short-term investments | (8) | (110,076) | (40,000) | — |
| Sales of short-term investments | (8) | 44,000 | — | 2,313 |
| Cash paid for acquisitions, net of cash acquired | (4) | (36,985) | (234,732) | (150,531) |
| Loan to related party | | — | — | (1,441) |
| **Net cash used in investing activities** | | **(215,511)** | **(341,744)** | **(210,518)** |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| $ 1,000 | Note | 2010 | 2009 | 2008 |
|---|---|---|---|---|
| | | | Years ended December 31 | |
| **Cash Flows From Financing Activities:** | | | | |
| Proceeds from debt | (15) | 3,016 | — | — |
| Repayment of debt | (15) | (50,000) | (25,000) | (5,000) |
| Principal payments on capital leases | | (3,262) | (2,991) | (2,995) |
| Proceeds from subscription receivables | | 987 | 965 | 985 |
| Excess tax benefits from share-based compensation | | 1,976 | 5,942 | 1,775 |
| Issuance of common shares | | 11,241 | 650,492 | 18,455 |
| Other financing activities | | 814 | (210) | (451) |
| **Net cash (used in) provided by financing activities** | | **(35,228)** | **629,198** | **12,769** |
| Effect of exchange rate changes on cash and cash equivalents | | 2,837 | (12,205) | 10,744 |
| Net increase (decrease) in cash and cash equivalents | | 2,850 | 492,244 | (14,007) |
| **Cash and cash equivalents, beginning of year** | | **825,557** | **333,313** | **347,320** |
| **Cash and cash equivalents, end of year** | | **828,407** | **825,557** | **333,313** |
| **Supplemental Cash Flow Disclosures:** | | | | |
| Cash paid for interest | | 25,557 | 27,662 | 36,460 |
| Cash paid for income taxes | | 33,781 | 36,003 | 39,475 |
| **Supplemental Disclosure of Non-cash Investing and Financing Activities:** | | | | |
| Equipment purchased through capital lease | | 1,185 | 376 | 141 |
| Intangible assets acquired in non-monetary exchange | | 30,341 | — | — |
| Issuance of common shares in connection with acquisitions | | — | — | 4,536 |

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

# Notes to Consolidated Financial Statements

**December 31, 2010**

## 1. Description of the Business and Basis of Presentation

QIAGEN N.V., a Netherlands holding company, and subsidiaries (we, our or the Company) is a leading provider of innovative Sample & 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 customer classes: Molecular Diagnostics, Applied Testing, Pharma and Academia.

### Basis of Presentation

The accompanying Consolidated Financial Statements were prepared in conformity with U.S. generally accepted accounting principles (GAAP) and all amounts are presented in U.S. dollars rounded to the nearest thousand, unless otherwise indicated.

### Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

## 2. Summary of Significant Accounting Policies

### Principles of Consolidation

The Consolidated Financial Statements include QIAGEN N.V. and our wholly owned subsidiaries other than those that are considered variable interest entities for which we are not the primary beneficiary. All significant intercompany accounts and transactions have been eliminated. Investments in companies where we exercise significant influence over the operations, and which we have determined that we are not the primary beneficiary, are accounted for using the equity method. All other investments are accounted for under the cost method.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Concentrations of Risk

We buy materials for products from many suppliers, and are not dependent on any one supplier or group of suppliers for the 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 were delayed or interrupted for any reason, we may not be able to obtain these materials timely or in sufficient quantities in order to produce certain products and sales levels could be negatively affected. Additionally, 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 researchers and their organizations for applications in which our products are used could have a significant effect on the demand for our products.

The financial instruments used in managing our foreign currency and interest rate exposures have an element of risk in that the counterparties may be unable to meet the terms of the agreements. We attempt to minimize this risk by limiting the counterparties to a diverse group of highly-rated international financial institutions. The carrying values of our financial instruments incorporate the non-performance risk by using market pricing for credit risk. However, we have no reason to believe that any counterparties will default on their obligations and therefore do not expect to record any losses as a result of counterparty default. In order to minimize our exposure with any single counterparty, we have entered into master agreements which allow us to manage the exposure with the respective counterparty on a net basis. In connection with such agreements, we do not require, and are not required to pledge, collateral for derivative transactions.

Other financial instruments that potentially subject us to concentrations of credit risk are cash and cash equivalents, short-term investments, and accounts receivable. We attempt to minimize the risks related to cash and cash equivalents and short-term investments by dealing with highly-rated financial institutions and investing in a broad and diverse range of financial instruments. We have established guidelines related to credit quality and maturities of investments intended to maintain safety and liquidity. Concentration of credit risk with respect to accounts receivable is limited due to a large and diverse customer base, which is dispersed over different geographic areas. Allowances are maintained for potential credit losses and such losses have historically been within expected ranges.

**Foreign Currency Translation**

Our functional currency is the U.S. dollar and our subsidiaries' functional currencies are generally 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. Realized gains or losses on the value of financial contracts entered into to hedge the exchange rate exposure of receivables and payables are also included in net income. The net gain (loss) on foreign currency transactions in 2010, 2009 and 2008 was $2.6 million, $5.6 million, and ($0.2) million, respectively, and is included in other income, net.

**Segment Information**

In connection with recent acquisitions and internal restructurings, we determined that we operate as one operating segment in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 280, Segment Reporting. 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. Certain reclassifications of prior year amounts have been made to conform to the current year presentation, including reclassifications related to reporting as a single segment under ASC Topic 280, Segment Reporting.

**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 and determinable; and (4) collectability is reasonably assured.

- Consumable and Related Products: Revenue from consumable product sales is generally recognized upon transfer of title consistent with the shipping terms. We maintain a small amount 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.

  Related revenue includes license fees, intellectual property and patent sales, royalties and milestone payments. 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 and 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. 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. For instrumentation equipment sales that contain other obligations, such as providing consumables, advanced training, separately-priced extended warranty services or separately-priced extended maintenance contracts, revenue is first allocated to separately-priced extended warranty or maintenance contracts based on the stated contract price, then the remaining contract value is allocated to the remaining elements based on objective, verifiable evidence of the fair value of the individual components. The price charged when the element is sold separately generally determines its fair value. Revenues for extended warranty services or extended product maintenance contracts are deferred and recognized on a straight-line basis over the contract period.

We have contracts with multiple elements which are accounted for under ASC 605-25, Revenue Recognition – Multiple-Element Arrangements. Multiple-element arrangements 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;
- There is objective and reliable evidence of the fair value of the undelivered items; and
- 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.

If there is objective and reliable evidence of fair value for all units of accounting in an arrangement, 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.

### Warranty

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 accrued and other liabilities in the accompanying consolidated balance sheets. The changes in the carrying amount of warranty obligations are as follows:

| $ 1,000 | Total |
|---|---|
| **Balance at December 31, 2008** | **2,724** |
| Provision charged to income | 1,347 |
| Usage | (759) |
| Adjustments to previously provided warranties, net | (93) |
| Currency translation | 249 |
| **Balance at December 31, 2009** | **3,468** |
| Provision charged to income | 3,678 |
| Usage | (3,258) |
| Adjustments to previously provided warranties, net | (477) |
| Currency translation | 29 |
| **Balance at December 31, 2010** | **3,440** |

### Research and Development

Research and product development costs are expensed as incurred. Research and development expenses consist primarily of salaries and related expenses, facility costs and amounts paid to contract research organizations, and laboratories for the provision of services and materials as well as costs for internal use or clinical trials.

### 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 balance sheet. When the grant relates to an asset, the value of the grant is deducted from the carrying amount of the asset.

### 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. For the years ended December 31, 2010, 2009 and 2008, shipping and handling costs totaled $ 19.9 million, $ 17.5 million and $ 17.1 million, respectively.

### Advertising Costs

The costs of advertising are expensed as incurred. Advertising costs for the years ended December 31, 2010, 2009 and 2008 were $ 7.6 million, $ 10.6 million and $ 21.5 million, respectively.

### General and Administrative, 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 purchase 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 incurred in connection with a restructuring which was not contemplated at the time of acquisition. These costs are expensed as incurred.

### Income Taxes

We account for income taxes under the liability method. Under this method, total income tax expense is the amount of income taxes expected to be payable for the current year plus the change from the beginning of the year for deferred income tax assets and liabilities established for the expected further tax consequences resulting from differences in the financial reporting and tax basis of assets and liabilities. Deferred tax assets and / or liabilities are determined by multiplying the differences between the financial reporting and tax reporting bases for assets and liabilities by the enacted tax rates expected to be in effect when such differences are recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Tax benefits are initially recognized in the financial statements when it is more likely than not that the position will be sustained upon examination by the tax authorities. Such tax positions are initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority, assuming full knowledge of the position and all relevant facts.

**Derivative Instruments**

We enter into derivative financial instrument contracts only for hedging purposes. The purpose of the derivative instruments is to minimize the variability of cash flows or income statement impact associated with the anticipated transactions being hedged or to hedge fluctuating interest rates. As changes in foreign currency or interest rate impact the value of anticipated transactions, the fair value of the forward or swap contracts also changes, offsetting foreign currency or interest rate fluctuations. Derivative instruments are recorded on the balance sheet at fair value. Changes in fair value of derivatives are recorded in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction.

**Share-Based Payments**

Compensation cost for all share-based payments is recorded based on the grant date fair value.

Stock Options: We utilize the Black-Scholes-Merton valuation model for estimating the fair value of our stock options granted. Option valuation models, including Black-Scholes-Merton, require the input of highly subjective assumptions, and changes in the assumptions used can materially affect the grant date fair value of an award. These assumptions include the risk-free rate of interest, expected dividend yield, expected volatility, and the expected life of the award.

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

- Dividend Yield: 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. We use a combination of the historical volatility of our stock price and the implied volatility of market-traded options of our stock to estimate the expected volatility assumption input to the Black-Scholes-Merton model. Our decision to use a combination of historical and implied volatility is based upon the availability of actively traded options of our stock and our 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. We estimated the expected life by considering the historical exercise behavior. We use 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. We estimated the forfeiture rate based on historical forfeiture experience.

Restricted Stock Units: Restricted stock units represent rights to receive Common Shares at a future date. 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. The fair market value at the time of the grant, less an estimate for pre-vesting forfeitures, is amortized to expense ratably over the vesting period.

**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.

**Short-Term Investments**

Short-term investments are classified as "available for sale" and stated at fair value in the accompanying balance sheet. Interest income is accrued when earned and changes in market values are reflected as unrealized gains and losses, calculated on the specific identification method, as a component of accumulated other comprehensive income. The amortization of premiums and accretion of discounts to maturity arising from acquisition is included in interest income. A decline in fair value that is judged to be other-than-temporary is accounted for as a realized loss and the write-down is included in the consolidated statements of income. Realized gains and losses, determined on a specific identification basis, on the sale of short-term investments are included in income.

**Fair Value of Financial Instruments**

The carrying value of cash and cash equivalents, notes receivable, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short maturities of those instruments. The carrying value of our variable rate debt and capital leases approximates their fair values because of the short maturities and / or interest rates which are comparable to those available to us on similar terms. The fair values of the notes payable to QIAGEN Finance and Euro Finance, further discussed in Note 15, were estimated by using available over-the-counter market information on the convertible bonds which were issued by QIAGEN Finance and Euro Finance, the values of which correlate to the fair value of the loan arrangements we have with QIAGEN Finance and Euro Finance which include the notes payable, the guarantee and the warrant agreement (further discussed in Note 11).

**Accounts Receivable**

Our accounts receivable are unsecured and we are at risk to the extent such amounts become uncollectible. We continually monitor accounts receivable balances, and provide for an allowance for doubtful accounts at the time collection becomes questionable based on payment history or age of the receivable. For the years ended December 31, 2010, 2009 and 2008, write-offs of accounts receivable totaled $0.8 million, $0.6 million and $0.7 million while provisions for doubtful accounts which were charged to expense totaled $1.4 million, $1.7 million and $0.8 million, respectively. For all years presented, no single customer represented more than ten percent of accounts receivable or consolidated net sales.

### Inventories

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market and include material, capitalized labor and overhead costs. Inventories consisted of the following as of December 31, 2010 and 2009:

| | As of December 31 | |
|---|---|---|
| $ 1,000 | 2010 | 2009 |
| Raw materials | 23,738 | 33,172 |
| Work in process | 33,043 | 39,856 |
| Finished goods | 69,852 | 57,823 |
| **Total inventories** | **126,633** | **130,851** |

### Property, Plant and Equipment

Property, plant and equipment, including equipment acquired under capital lease obligations, are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (one to 40 years). Amortization of leasehold improvements is computed on a straight-line basis over the lesser of the remaining life of the lease or the estimated useful life. We have a policy of capitalizing expenditures that materially increase assets' useful lives and charging ordinary maintenance and repairs to operations as incurred. When property or equipment is disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any gain or loss is included in other income (expense).

### Acquired Intangibles and Goodwill

Acquired intangibles are carried at cost less accumulated amortization and consist of licenses to technology held by third parties and other acquired intangible assets. Amortization is computed over the estimated useful life of the underlying patents, which has historically ranged from one to twenty years. Purchased intangible assets other than goodwill are amortized over their estimated useful lives unless these lives are determined to be indefinite. Intangibles are assessed for recoverability considering the contract life and the period of time over which the intangible will contribute to future cash flow. The unamortized cost of intangible assets is evaluated periodically and adjusted, if necessary, if events and circumstances indicate that a permanent decline in value below the carrying amount has occurred.

Amortization expense related to developed technology and patent and license rights which have been acquired in a business combination is included in cost of sales. Amortization of trademarks, customer base and non-compete agreements which have been acquired in a business combination is recorded in operating expense under the caption 'acquisition-related intangible amortization.' Amortization expenses of intangible assets not acquired in a business combination are recorded within either the cost of sales, research and development, or sales and marketing line items based on the use of the asset.

Goodwill represents the difference between the purchase price and the estimated fair value of the net assets acquired arising from business combinations. Goodwill is subject to impairment tests annually, or earlier if indicators of potential impairment exist, using a fair-value-based approach. We have elected to perform our annual test for indications of impairment as of October 1 of each year. Following the annual impairment tests for the years ended December 31, 2010, 2009 and 2008, goodwill has not been impaired.

**Investments**

We have investments in non-marketable securities issued by privately held companies. These investments are included in other long-term assets in the accompanying consolidated balance sheets and are accounted for using the equity or cost method of accounting.

Investments are evaluated at least quarterly, or sooner if impairment indicators are noted, to determine if declines in value are other-than-temporary. In making that determination, we consider all available evidence relating to the realizable value of a security. This evidence includes, but is not limited to, the following:

- Adverse financial conditions of a specific issuer, segment, industry, region or other variables;
- The length of time and the extent to which the fair value has been less than cost; and
- The financial condition and near-term prospects of the issuer.

The fair values of any of our equity method investments have declined below their carrying value whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If any such decline is considered to be other than temporary (based on various factors, including historical financial results, product development activities and the overall health of the affiliate's industry), then a write-down of the investment would be recorded in operating expense to its estimated fair value.

**Impairment of Long-Lived Assets**

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable. We consider a history of operating losses or a change in expected sales levels to be indicators of potential impairment. Assets are grouped and evaluated for impairment at the lowest level for which there are identified cash flows that are largely independent of the cash flows of other groups of assets. We deem an asset to be impaired if a forecast of undiscounted projected future operating cash flows directly related to the asset, including disposal value, if any, is less than its carrying amount. If an asset is determined to be impaired, the loss is measured as the amount by which the carrying amount of the asset exceeds fair value. We generally measure fair value by discounting projected future cash flows. Considerable judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could differ from such estimates.

**Recent Authoritative Pronouncements**

**Adoption of New Accounting Standards**

In January 2010, FASB issued Accounting Standards Update (ASU) No. 2010–06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This ASU requires new disclosures and clarifies certain existing disclosure requirements

about fair value measurements. The FASB's objective is to improve these disclosures and, thus, increase the transparency in financial reporting. Specifically, ASU 2010–06 amends Codification Subtopic 820–10 to now require a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and in the reconciliation for fair value measurements using significant unobservable inputs, a reporting entity is now required to present separately information about purchases, sales, issuances, and settlements. In addition, ASU 2010–06 clarifies the requirements for previously required disclosures. For purposes of reporting fair value measurement for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities; and a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. ASU 2010–06 is effective for interim and annual reporting periods beginning after December 15, 2009. We adopted these updates in 2010 without any impact.

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

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

In February 2010, FASB issued ASU No. 2010–08, Technical Corrections to Various Topics. The ASU is the result of the FASB's review of its standards to determine if any provisions are outdated, contain inconsistencies, or need clarifications to reflect the FASB's original intent. The FASB believes the amendments do not fundamentally change U.S. GAAP. However, certain clarifications on embedded derivatives and hedging (Subtopic 815–15) may cause a change in the application of that Subtopic and special transition provisions are provided for those amendments. The ASU contains various effective dates. The clarifications of the guidance on embedded derivatives and hedging (Subtopic 815–15) are effective for fiscal years beginning after December 15, 2009. The amendments to the guidance on accounting for income taxes in a reorganization (Subtopic 852-740) apply to reorganizations for which the date of the reorganization is on or after the

beginning of the first annual reporting period beginning on or after December 15, 2008. All other amendments are effective as of the first reporting period (including interim periods) beginning after the date this ASU was issued. We adopted the update in 2010 without any impact.

**Recently Issued Accounting Standards**

In October 2009, the FASB issued new authoritative guidance regarding "Revenue Recognition – Multiple Deliverable Revenue Arrangements." This update provides amendments for separating consideration in multiple deliverable arrangements and removes the objective-and-reliable-evidence-of-fair-value criterion from the separation criteria used to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, replaces references to "fair value" with "selling price" to distinguish from the fair value measurements required under the "Fair Value Measurements and Disclosures" guidance, provides a hierarchy that entities must use to estimate the selling price, eliminates the use of the residual method for allocation, and expands the ongoing disclosure requirements. We will adopt this standard beginning January 1, 2011 and do not expect any impact.

In April 2010, the FASB issued ASU No. 2010–17, Revenue Recognition–Milestone Method (Topic 605): Milestone Method of Revenue Recognition. The ASU codifies the consensus reached in Emerging Issues Task Force Issue No. 08–9, "Milestone Method of Revenue Recognition." The amendments provide guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. Consideration that is contingent on achievement of a milestone in its entirety may be recognized as revenue in the period in which the milestone is achieved only if the milestone is judged to meet certain criteria to be considered substantive. Milestones should be considered substantive in their entirety and may not be bifurcated. An arrangement may contain both substantive and nonsubstantive milestones, and each milestone should be evaluated individually to determine if it is substantive. The amendments in the ASU are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. We will adopt this standard beginning January 1, 2011 and do not expect any impact.

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

## 3. Net Income 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 or converted. The following schedule summarizes the information used to compute earnings per common share:

| | Years ended December 31 | | |
|---|---|---|---|
| **$ 1,000** | **2010** | **2009** | **2008** |
| Weighted average number of Common Shares used to compute basic net income per Common Share | 232,635 | 206,928 | 196,804 |
| Dilutive effect of stock options and restrictive stock units | 2,843 | 2,717 | 3,122 |
| Dilutive effect of outstanding warrant shares | 5,005 | 3,967 | 4,333 |
| **Weighted average number of Common Shares used to compute diluted net income per Common Share** | **240,483** | **213,612** | **204,259** |
| **Outstanding stock options and restrictive stock units having no dilutive effect, not included in above calculation** | **2,152** | **2,627** | **2,149** |
| **Outstanding warrants having no dilutive effect, not included in above calculation** | **21,462** | **22,500** | **22,430** |

## 4. Acquisitions, Divestiture and Restructuring

### 2010 Acquisitions

In 2010, we completed two acquisitions which individually were not significant to the overall consolidated financial statements. We acquired 100% of the shares of ESE GmbH, a privately held developer and manufacturer of UV and fluorescence optical measurement devices. ESE is based in Stockach, Germany. ESE has pioneered the development and manufacturing of optical measurement systems for medical and industrial applications. The systems utilize unique, high-performance and award-winning fluorescence detection technologies integrated into compact modules. We have demonstrated that ESE's fluorescence detection systems can be used to measure signals generated by our existing testing technologies, including the HDA and tHDA isothermal assay systems. We also acquired the food market business of the Institute for Product Quality (ifp), a Berlin-based company which sells food, veterinary and environmental quality control assays. The transaction was an asset purchase of primarily patents, know-how, intellectual property rights and customer data related to the business. We have entered into a license and contract manufacturing agreement with ifp under which ifp will perform the production for QIAGEN.

Aggregate consideration paid in 2010 for the acquisitions was $22.7 million and an amount of $2.9 million was retained in an escrow account to cover any claims for breach of any representations, warranties or indemnities. During 2010, $1.6 million of the funds were released, and as a result $1.3 million is included in prepaid expenses and other in the accompanying consolidated balance sheets. Correspondingly, we have recorded preacquisition contingencies of $1.3 million that are included in accrued and other liabilities in the accompanying consolidated balance sheets. Furthermore, the Purchase Agreements for both acquisitions include aggregate milestone payments of up to $8.1 million, of which $0.2 million was paid in 2010.

**Final Allocation of 2009 Acquisitions**

**DxS Ltd. Acquisition**

On September 21, 2009, we acquired 100% of the outstanding shares of DxS Ltd. (DxS), a privately held developer and manufacturer of companion diagnostic products headquartered in Manchester, United Kingdom. With this acquisition, we believe that we have taken a strong leadership position in Personalized Healthcare (PHC). The transaction was valued at $94.5 million in cash, plus up to an additional $35.0 million in contingent consideration. The acquisition date fair value of the total consideration was $112.1 million, which consisted of $94.5 million in cash and $17.6 million for the acquisition date fair value of the contingent consideration. A portion of the purchase consideration was deposited in an escrow account with a paying agent to cover any claims for breach of representations, warranties, covenants or indemnities, or failure to satisfy certain conditions. As a result, $8.7 million is included in prepaid expenses and other in the accompanying consolidated balance sheets. Correspondingly, we have recorded preacquisition contingencies of $8.7 million that are included in accrued and other liabilities in the accompanying consolidated balance sheets.

The contingent consideration of up to $35.0 million relates to specific commercial and other milestones, which, if met, will be paid. During 2010, contingent consideration of $5.5 million was paid. The preliminary total fair value of milestones is approximately $17.6 million which, as of the acquisition date, has been recognized as purchase price. The fair value of the milestone payments was determined using a discount rate of 3.25% and a probability regarding the accomplishment of the milestones of 90 to 95%.

**SABiosciences Acquisition**

On December 14, 2009, we acquired 100% of the outstanding shares of SABiosciences Corporation, located in Frederick, Maryland (USA). SABiosciences holds a leading position in the design and commercialization of disease- and pathway-focused real-time PCR-based assay panels, which are widely utilized in biomedical research and in the development of future drugs and diagnostics. At closing, the purchase price was $97.6 million in cash. As of December 31, 2010, we have $5.9 million of the consideration in an escrow account with a paying agent to cover any claims for breach of representations, warranties, covenants or indemnities, or failure to satisfy certain conditions. This amount is included in prepaid expenses and other in the accompanying Consolidated Balance Sheet. Correspondingly, we have preacquisition contingencies of $5.9 million that are included in accrued and other liabilities in the accompanying Consolidated Balance Sheet.

As of December 31, 2010, the final allocation of the purchase price and transaction costs for the acquisitions of DxS and SABiosciences are follows:

| $ 1,000 | DxS Acquisition | SABiosciences Acquisition | Total |
|---|---|---|---|
| **Purchase Price:** | | | |
| Cash | 94,823 | 97,586 | 192,409 |
| Fair value of milestones | 17,599 | — | 17,599 |
| | **112,422** | **97,586** | **210,008** |
| **Final Allocation:** | | | |
| Working capital | 263 | 10,153 | 10,416 |
| Fixed and other long-term assets | 2,199 | 2,215 | 4,414 |
| Product technology and know-how | 16,400 | 26,400 | 42,800 |
| Purchased in-process research and development | 1,400 | 1,700 | 3,100 |
| Customer relationships | 54,900 | 8,400 | 63,300 |
| Tradename | 4,100 | 1,900 | 6,000 |
| Goodwill | 56,935 | 62,178 | 119,113 |
| Deferred tax liability on fair value of identifiable intangible assets acquired | (23,040) | (15,360) | (38,400) |
| Liabilities assumed | (735) | — | (735) |
| | **112,422** | **97,586** | **210,008** |

The weighted-average amortization period for the intangible assets acquired with DxS is 15 years and with SABiosciences is 10 years. The goodwill acquired in these acquisitions is not deductible for tax purposes.

### Other 2009 Acquisitions

On August 6, 2009, we acquired Explera s.r.l., a leading supplier in molecular diagnostics and personalized medicine in Italy. The transaction is valued at $7.5 million, with a fixed purchase price of $5.0 million and milestone payments of $2.5 million. With this acquisition, we expanded the size of our sales channel in Italy and added several activities in the area of personalized medicine and access to a suite of CE-IVD pyrosequencing assays.

On November 12, 2009, we acquired 100% of the outstanding shares of a developer, producer and distributor of PCR-based technologies for forensics, kinship and paternity analysis, and other human identity testing applications located in Germany. Upon closing of the transaction, an upfront payment of $23.3 million was paid to the sellers, less an amount of $13.1 million that was originally retained in an escrow account to cover any claims for breach of any of representations, warranties or indemnities. The escrow funds were partially released to the sellers during 2010. Another $1.6 million was paid to the sellers in 2010.

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.

These acquisitions have been accounted for using the purchase method of accounting, and the acquired companies' results have been included in the accompanying statements of operations from their respective dates of acquisition. Acquisition-related costs are expensed when incurred and are included in general, administrative, integration and other in the accompanying consolidated statements of income.

**Final Allocations of 2008 Acquisitions**

On July 1, 2008, we acquired an 82.5% interest in Corbett Life Science Pty. Ltd. (Corbett), a developer, manufacturer, and distributor of life sciences instrumentation headquartered in Sydney, Australia, with an option to acquire the minority interest. On October 1, 2008, we acquired all assets related to the Biosystems Business from Biotage AB, a publicly listed developer, manufacturer and distributor of products for genetic analysis and medicinal chemistry headquartered in Uppsala, Sweden. This business division contains pyrosequencing systems for genetic analysis, PyroMark products for methylation, sequence and mutation analysis and Pyro Gold reagents. Additionally, the transaction included the acquisition of Biotage's 17.5% shareholding in Corbett.

Following the finalization of the fair value of acquired pre-acquisition contingencies, deferred taxes, and certain milestone payments, the final allocations of the purchase price and transaction costs for the acquisitions of Corbett Life Science Pty. Ltd. (Corbett) and the Biosystems Business from Biotage AB as of December 31, 2009, are as follows:

| $ 1,000 | Corbett Acquisition | Biosystems Business Acquisition | Total |
|---|---|---|---|
| **Purchase Price:** | | | |
| Issuance of restricted shares | 4,234 | — | 4,234 |
| Cash, including transaction costs | 130,318 | 52,024 | 182,342 |
| Cash acquired | (7,075) | — | (7,075) |
| Cash for 17.5% interest in Corbett | 21,071 | (21,071) | — |
| | **148,548** | **30,953** | **179,501** |
| **Final Allocation:** | | | |
| Working capital | 8,537 | 3,030 | 11,567 |
| Fixed and other long-term assets | 4,204 | 234 | 4,438 |
| Developed IP | 35,000 | 12,600 | 47,600 |
| Customer relationships | 17,400 | 1,800 | 19,200 |
| Tradename | 3,600 | 900 | 4,500 |
| Goodwill | 96,214 | 14,662 | 110,876 |
| Purchased in-process research and development expense | 1,000 | — | 1,000 |
| Deferred tax liability on fair value of identifiable intangible assets acquired | (16,433) | — | (16,433) |
| Liabilities assumed | (974) | (2,273) | (3,247) |
| | **148,548** | **30,953** | **179,501** |

The weighted average amortization period for all intangible assets acquired in 2008 is 10 years. The goodwill acquired in these acquisitions is not deductible for tax purposes.

### Other 2008 Acquisitions

In 2008, we acquired a business unit from Diagnostic Technology Pty. Ltd., located in Belrose, Australia, which relates to the distribution of products in Australia, New Zealand, Singapore and Malaysia. The purchase price consisted of an upfront payment in the amount of Australian dollars (AUD) 0.9 million and a milestone payment amounting to AUD 0.4 million, which was paid in 2009. Additionally in 2008, we established QIAGEN Mexico via the acquisition of certain assets of our former life science distributor Quimica Valaner. We also acquired the minority interest in its Brazilian sub, QIAGEN Brasil Biotecnologia Ltda., for $3.2 million in cash in 2008. The establishment of QIAGEN Mexico, as well as the acquisition of the minority interest in its Brazilian subsidiary, represents our commitment to expanding our presence in Latin America. We do not consider these acquisitions to be material.

### 2009 Divestiture

In July 2009, through the sale of our subsidiary in Austria, we sold the Olerup SSP® product line and related assets to Olerup International AB, a subsidiary of LinkMed, a Swedish venture capital company specializing in life sciences. The Olerup SSP® product line includes molecular transplantation testing products used for DNA human leukocyte antigen (HLA) typing. We retained rights to all Olerup SSP® assays for applications outside transplantation testing, such as in personalized medicine. The transaction does not affect our presence in new sequencing-based typing assays in the area of transplantation. We recorded a net gain of approximately $1.2 million on the sale of the business, which is recorded in other income, net in 2009.

### 2009 Restructuring of Acquired Business

In October 2009, we started the closure of our facilities and relocation of our activities in Brisbane and Sydney to other locations, primarily to QIAGEN Instruments AG in Switzerland. These restructurings follow the acquisition of Corbett in 2008 and consolidate our instrument manufacturing activities. The closure and relocation were completed in 2010 at a total pre-tax cost of approximately $4.2 million, of which $1.9 million was incurred in 2010.

## 5. Accumulated Other Comprehensive Income

The following table is a summary of the components of accumulated other comprehensive income:

| $ 1,000 | 2010 | 2009 |
|---|---|---|
| Net unrealized loss on cash flow hedging contracts, net of tax of $0.7 million and $2.7 million in 2010 and 2009, respectively | (1,644) | (5,326) |
| Net unrealized gain (loss) on pension, net of tax of $4,000 and $50,000 in 2010 and 2009, respectively | (11) | 118 |
| Foreign currency translation effects from intercompany long-term investment transactions, net of tax of $4.4 million and $1.9 million in 2010 and 2009, respectively | 5,774 | 7,465 |
| Foreign currency translation adjustments | 60,635 | 47,889 |
| **Accumulated other comprehensive income** | **64,754** | **50,146** |

# 6. Derivatives and Hedging

### 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, 2010, all derivatives that qualify for hedge accounting are cash-flow hedges. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. In 2010, we did not record any hedge ineffectiveness related to any cash-flow hedges in income (expense) and did not discontinue any cash-flow hedges. There are no expected transactions which would result in a reclassification of amounts in other comprehensive income into earnings in the next 12 months. Derivatives, including those that are not designated as hedges, are classified in the operating section of the consolidated statements of cash flows, in the same category as the related consolidated balance sheet account.

### Foreign Currency Derivatives

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

We have foreign currency forward contracts with an aggregate notional amount of $ 44.0 million, which have been entered into in connection with the notes payable to QIAGEN Finance (see Note 15) and which qualify for hedge accounting as cash-flow hedges. We have determined that no ineffectiveness exists related to these derivatives. However, the differences between spot and forward rates were excluded from the assessment of hedge effectiveness and included in interest income as it effectively constitutes the difference in the interest rates of the respective currency pairs. The contracts mature in July 2011 and had fair market values at December 31, 2010 and 2009 of approximately $ 3.9 million, included in accrued and other liabilities, and $ 5.7 million, included in other long-term liabilities, respectively, in the accompanying consolidated balance sheets.

In addition, we were party to cross-currency swaps which have been entered into in connection with the notes payable to Euro Finance (see Note 15) and which qualified as cash-flow hedges with a notional amount of $120.0 million as of December 31, 2010 and 2009, which mature in November 2012 and had fair market values of $4.6 million and $16.7 million at December 31, 2010 and 2009, respectively, which are included in other long-term liabilities in the accompanying consolidated balance sheets.

### Undesignated Derivative Instruments

We are party to various foreign exchange forward and swap arrangements which had, at December 31, 2010, an aggregate notional value of approximately $295.4 million and fair values of $0.7 million and $5.1 million, which are included in other assets and other liabilities, respectively, and which expire at various dates through April 2011. The transactions have been entered into to offset the effects from short-term balance sheet exposure to foreign currency exchange risk. Changes in the fair value of these arrangements have been recognized in other income, net.

We were party to various foreign exchange forward and swap arrangements which had, at December 31, 2009, an aggregate notional value of approximately $200.1 million and fair values of $0.9 million and $7.7 million, which are included in other assets and other liabilities, respectively, and which expired at various dates through March 2010. The transactions have been used to offset the effects from short-term balance sheet exposure to foreign currency exchange risk. Changes in the fair value of these arrangements have been recognized in other income, net.

### Interest Rate Derivatives

We use interest rate derivative contracts on certain borrowing transactions to hedge fluctuating interest rates. We have entered into interest rate swaps in which we agree to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. During 2008, we entered into interest rate swaps, which effectively fixed the variable interest rates on $200.0 million of our variable rate debt and qualify for hedge accounting as cash-flow hedges. We have determined that no ineffectiveness exists related to these swaps. During 2010, $100.0 million of the swaps matured. The remaining $100.0 million matures in October 2011, and as of December 31, 2010, had an aggregate fair value of $2.7 million, which is recorded in accrued and other liabilities in the accompanying consolidated balance sheet. As of December 31, 2009, these swaps had an aggregate fair value of $6.3 million, of which $2.1 million is recorded in accrued and other liabilities and $4.2 million is recorded in other long-term liabilities in the accompanying consolidated balance sheet.

### Fair Values of Derivative Instruments

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

| | Derivatives in Asset Positions Fair value | | Derivatives in Liability Positions Fair value | |
|---|---|---|---|---|
| $ 1,000 | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 |
| **Derivative instruments designated as hedges** | | | | |
| Interest rate contracts | — | — | (2,663) | (6,274) |
| Foreign exchange contracts | — | — | (8,452) | (22,495) |
| **Total derivative instruments designated as hedges** | **—** | **—** | **(11,115)** | **(28,769)** |
| **Undesignated derivative instruments** | | | | |
| Foreign exchange contracts | 677 | 947 | (5,113) | (7,690) |
| **Total derivative instruments** | **677** | **947** | **(16,228)** | **(36,459)** |

### Gains and Losses on Derivative Instruments

The following tables summarize the locations and gains on derivative instruments for the years ended December 31, 2010 and 2009:

| Year ended December 31, 2010 $ 1,000 | Gain / (Loss) Recognized in AOCI | Location of (Gain) Loss in Income Statement | (Gain) Loss Reclassified from AOCI into Income | Loss Recognized in Income |
|---|---|---|---|---|
| **Cash flow hedges** | | | | |
| Interest rate contracts | 3,611 | Interest expense | — | NA |
| Foreign exchange contracts | 11,025 | Other income, net | (8,874) | NA |
| **Total** | **14,636** | | **(8,874)** | **NA** |
| **Undesignated derivative instruments** | | | | |
| Foreign exchange contracts | NA | Other income, net | NA | (2,239) |

| Year ended December 31, 2009 $ 1,000 | Gain / (Loss) Recognized in AOCI | Location of (Gain) Loss in Income Statement | (Gain) Loss Reclassified from AOCI into Income | Loss Recognized in Income |
|---|---|---|---|---|
| **Cash flow hedges** | | | | |
| Interest rate contracts | 537 | Interest expense | — | NA |
| Foreign exchange contracts | (13,278) | Other income, net | 8,367 | NA |
| **Total** | **(12,741)** | | **8,367** | **NA** |
| **Undesignated derivative instruments** | | | | |
| Foreign exchange contracts | NA | Other income, net | NA | (2,333) |

NA – Not applicable

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

## 7. Fair Value Measurements

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

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

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

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

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

The following table presents our fair value hierarchy for our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 and 2009:

| | As of December 31, 2010 | | | | As of December 31, 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| $ 1,000 | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | | | | | |
| Short-term investments | 70,000 | 36,077 | — | 106,077 | 40,000 | — | — | 40,000 |
| Foreign exchange contracts | — | 677 | — | 677 | — | 947 | — | 947 |
| | **70,000** | **36,754** | **—** | **106,754** | **40,000** | **947** | **—** | **40,947** |
| **Liabilities:** | | | | | | | | |
| Foreign exchange contracts | — | 13,565 | — | 13,565 | — | 30,185 | — | 30,185 |
| Interest rate contracts | — | 2,663 | — | 2,663 | — | 6,274 | — | 6,274 |
| | **—** | **16,228** | **—** | **16,228** | **—** | **36,459** | **—** | **36,459** |

The carrying values of financial instruments, including cash and equivalents, accounts receivable, accounts payable and other accrued liabilities, approximate their fair values due to their short-term maturities. The estimated fair value of long-term debt as disclosed in Note 15 was based on current interest rates for similar types of borrowings. The estimated fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date, or

that will be realized in the future. There were no fair value adjustments in the years ended December 31, 2010 and 2009 for nonfinancial assets or liabilities required to be measured at fair value on a nonrecurring basis.

## 8. Short-term Investments

At December 31, 2010, short-term investments consisted of $70.0 million of investments in short-term funds that have a fixed maturity date. Thereof $50.0 million matured in January 2011 and $20.0 million will mature in May 2011. These fund investments are carried at fair market value, which is equal to the cost. Additionally, we had €27.0 million ($36.1 million as of December 31, 2010) 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. These loans consist of $9.4 million that matured in February 2011, and $26.7 million that matures in November 2013 with put option rights on a quarterly basis beginning in February 2011. 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 beginning February 2011.

At December 31, 2009, we had short-term investments which had a fair market value and cost of $40.0 million.

For the year ended December 31, 2010, proceeds from sales of short-term investments totaled $44.0 million. There were no sales of short-term investments in 2009. There were no realized gains or losses during 2010 or 2009.

## 9. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are summarized as follows as of December 31, 2010 and 2009:

| $ 1,000 | 2010 | 2009 |
|---|---|---|
| Prepaid expenses | 24,061 | 29,109 |
| Amounts held in escrow in connection with acquisitions | 27,006 | 37,094 |
| Value Added Tax | 7,039 | 7,865 |
| Other receivables | 6,296 | 22,825 |
| | **64,402** | **96,893** |

## 10. Property, Plant and Equipment

Property, plant and equipment, including equipment acquired under capital lease obligations, are summarized as follows as of December 31, 2010 and 2009:

| | | Years ended December 31 | |
|---|---|---|---|
| **$ 1,000** | **Estimated Useful Life (in Years)** | **2010** | **2009** |
| Land | — | 16,053 | 16,045 |
| Buildings and improvements | 1-40 | 232,946 | 237,547 |
| Machinery and equipment | 1-15 | 157,973 | 135,540 |
| Computer software | 1-10 | 53,948 | 53,038 |
| Furniture and office equipment | 1-15 | 75,030 | 69,310 |
| Construction in progress | — | 59,418 | 16,788 |
| | | **$ 595,368** | **$ 528,268** |
| Less: Accumulated depreciation and amortization | | (249,704) | (210,801) |
| Property, plant and equipment, net | | **$ 345,664** | **$ 317,467** |

Amortization of assets acquired under capital lease obligations is included within accumulated depreciation and amortization above for the years ended December 31, 2010 and 2009, respectively. For the years ended December 31, 2010, 2009 and 2008, depreciation and amortization expense totaled $ 47.9 million, $ 42.0 million and $ 36.2 million, respectively. Repairs and maintenance expense was $ 11.8 million, $ 10.9 million and $ 9.7 million in 2010, 2009 and 2008, respectively. For the year ended December 31, 2010, construction in progress includes amounts related to the construction of new facilities in Germany and the United States. For the years ended December 31, 2010, 2009 and 2008, interest capitalized in connection with construction projects was not significant.

## 11. Investments

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

A summary of these investments, which are included in other assets, is as follows:

| $ 1,000 | | Equity Investments as of December 31 | | Share of Income (Loss) for the years ended December 31 | | |
|---|---|---|---|---|---|---|
| Company | Ownership Percentage | 2010 | 2009 | 2010 | 2009 | 2008 |
| PreAnalytiX GmbH | 50.00% | 15,308 | 10,894 | 2,969 | 2,887 | 1,459 |
| QBM Cell Science | 19.50% | 405 | 394 | 11 | (49) | (61) |
| QIAGEN Finance | 100.00% | 949 | 818 | 131 | 115 | 426 |
| QIAGEN Euro Finance | 100.00% | 1,306 | 1,033 | 273 | 300 | 257 |
| Pyrobett | 19.00% | 3,927 | — | (73) | — | — |
| Dx Assays Pte Ltd. | 33.30% | — | — | — | (316) | (408) |

We have a 50% interest in a joint venture company, PreAnalytiX GmbH, for which we are not the primary beneficiary. Thus, the investment is accounted for under the equity method. PreAnalytiX was formed to develop, manufacture and market integrated systems for the collection, stabilization and purification of nucleic acids for molecular diagnostic testing. At present, our maximum exposure to loss as a result of our involvement with PreAnalytiX is limited to our share of losses from the equity method investment itself.

We have a 100% interest in QIAGEN Finance (Luxembourg) S.A. (QIAGEN Finance) and QIAGEN Euro Finance (Luxembourg) S.A. (Euro Finance), companies established for the purpose of issuing convertible debt in 2004 and 2006, respectively. In August 2004, we issued $ 150.0 million of 1.5% Senior Convertible Notes (2004 Notes) due in 2024 through QIAGEN Finance. In May 2006, we completed the offering of $ 300.0 million of 3.25% Senior Convertible Notes (2006 Notes) due in 2026 through Euro Finance. The proceeds of the 2004 and 2006 Notes were loaned to subsidiaries within the consolidated QIAGEN N.V. group. QIAGEN N.V. has guaranteed all of these Notes, and has agreements with each of QIAGEN Finance and Euro Finance to issue common shares to the investors in the event of conversion of any of the Notes. QIAGEN Finance and Euro Finance are variable interest entities. We are not the primary beneficiary, therefore neither is consolidated. Accordingly, the 2004 and 2006 convertible debt is not included in the consolidated statements of QIAGEN N.V., though QIAGEN N.V. does report the full obligation of the debt through its liabilities to QIAGEN Finance and Euro Finance. QIAGEN N.V. accounts for its investments in QIAGEN Finance and Euro Finance as equity investments and accordingly records 100% of the profit or loss of QIAGEN Finance and Euro Finance in the gain or loss from equity method investees. At present, our maximum exposure to loss as a result of our involvement with QIAGEN Finance and Euro Finance is limited to our share of losses from the equity method investments.

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.

At December 31, 2010 and 2009, we had a loan receivable of $ 1.6 million and $ 1.4 million, respectively, included in other long-term assets, due from Dx Assays, which bears interest at 15% and is due in March 2013.

During 2010, we made an investment of € 2.5 million (approximately $ 3.4 million as of December 31, 2010) for a 7.6% share of a privately held company. The investment is accounted for under the cost method.

During 2009, we sold our investment in a privately held company which had been accounted for under the cost method of accounting, and realized a gain of $ 10.5 million in 2009. The proceeds were received in January 2010, and an additional gain of $ 0.6 million was recorded in 2010 following the receipt of additional proceeds which had been held in escrow.

During 2008, in connection with the acquisition of Corbett, we impaired our $ 4.0 million investment in a privately held company which had been accounted for under the cost method of accounting. Following the acquisition of Corbett, management anticipated a change in our purchasing pattern of the investee's products, which negatively impacted the forecasted financial condition of the investee. Accordingly, the known impact to the investee's financial condition, absent other evidence indicating a realizable value of the investment, indicated that our investment was worthless and that recoverability of the asset through future cash flows was not considered likely enough to support the current carrying value. We had no contractual obligation to provide any additional investment or other financing beyond the investment in the investee. The impairment is included in other income, net in the accompanying consolidated statements of income.

## 12. Intangible Assets

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

| | | 2010 | | 2009 | |
|---|---|---|---|---|---|
| **$ 1,000** | **Weighted Average Life** | **Gross Carrying Amount** | **Accumulated Amortization** | **Gross Carrying Amount** | **Accumulated Amortization** |
| **Amortized Intangible Assets:** | | | | | |
| Patent and license rights | 11.0 years | 289,199 | (88,275) | 246,535 | (69,380) |
| Developed technology | 9.7 years | 501,287 | (157,838) | 461,507 | (108,374) |
| Customer base, trademarks, in-process R&D and non-compete agreements | 11.3 years | 275,167 | (66,213) | 263,985 | (41,977) |
| | | **1,065,653** | **(312,326)** | **972,027** | **(219,731)** |
| **Unamortized Intangible Assets:** | | | | | |
| Goodwill | | **1,352,281** | | **1,337,064** | |

In connection with the acquisitions as more fully discussed in Note 4, approximately $ 0.6 million and $ 3.1 million of purchase price was allocated to purchased in-process research and development and capitalized in 2010 and 2009, respectively. Prior to January 1, 2009, purchased in-process research and development costs were expensed. During the year ended December 31, 2008, approximately $ 1.0 million of purchase price was allocated to purchased in-process research and development and expensed.

Amortization expense on intangible assets totaled approximately $94.9 million, $78.4 million and $69.4 million, respectively, for the years ended December 31, 2010, 2009 and 2008. During 2009, additional amortization of $5.0 million was recorded in cost of sales related to the impairment of developed technology, which was triggered by the acquisition of DxS and SABiosciences. Amortization of intangibles for the next five years is expected to be approximately:

| $ 1,000 | Amortization |
|---|---|
| **Years ended December 31:** | |
| 2011 | 96,858 |
| 2012 | 94,916 |
| 2013 | 91,653 |
| 2014 | 90,240 |
| 2015 | 89,677 |

The changes in the carrying amount of goodwill for the years ended December 31, 2010 and 2009 are as follows:

| $ 1,000 | Total |
|---|---|
| **Balance at December 31, 2008** | **1,152,105** |
| Goodwill acquired during the year | 116,340 |
| Goodwill written off during the year | (1,631) |
| Earn-out and milestone payments | 28,946 |
| Purchase adjustments | 13,729 |
| Effect of foreign currency translation | 27,575 |
| **Balance at December 31, 2009** | **1,337,064** |
| Earn-out and milestone payments | 2,983 |
| Purchase adjustments | 579 |
| Effect of foreign currency translation | 11,655 |
| **Balance at December 31, 2010** | **1,352,281** |

The changes in the carrying amount of goodwill during the year ended December 31, 2009 resulted from the 2009 acquisitions, foreign currency translation and purchase price adjustments primarily related to tax matters in connection with prior year acquisitions. During 2009, $1.6 million of goodwill from a previous acquisition was written off following the acquisition of DxS Ltd. in September 2009 and is recorded in general and administrative, integration and other expenses in the accompanying consolidated statements of income. During 2010, changes in goodwill resulted from earn-out and milestone payments, purchase price adjustments related to the 2009 acquisitions and foreign currency translation.

We occasionally enter into transactions which include the purchase, sale, or licensing of patented or non-patented technology as well as supply agreements, particularly in the areas of Pharma and Molecular Diagnostics. The agreements may be structured such that the transaction is required to be accounted for in accordance with ASC No. 845, Nonmonetary Transactions ("ASC No. 845"), and may include multiple deliverables accounted for in accordance with ASC No. 605, Revenue Recognition.

During 2010, we entered into a series of transactions with a third party, under which we exchanged certain intangible assets in a nonmonetary exchange. We have accounted for this transaction under ASC No. 845, and recorded the intangible assets received at the fair value of the assets surrendered. As there is no observable market for these assets, we have performed this nonrecurring fair value measurement based on significant unobservable inputs (Level 3 as defined in Note 7). We have performed the fair value analysis using an income approach, including development of inputs such as future revenues to be generated under the assets, and future costs associated with product development, production, and distribution under the patents, in order to determine an exit price from the perspective of a market participant that holds the assets. As a result of nonmonetary transactions, we recorded intangible assets of $ 30.3 million, net sales of $ 11.0 million and deferred revenues of $ 19.3 million. In the same series of transactions, we agreed to supply certain products and the deferred revenue will be recognized ratably in connection with the supply of the products.

## 13. Income Taxes

Income before income taxes for the years ended December 31, 2010, 2009 and 2008 were:

| $ 1,000 | 2010 | 2009 | 2008 |
|---|---|---|---|
| Pretax income in The Netherlands | 55,431 | 72,190 | 53,032 |
| Pretax income from foreign operations | 117,690 | 100,140 | 66,254 |
| | **173,121** | **172,330** | **119,286** |

The provisions for income taxes for the years ended December 31, 2010, 2009 and 2008 were:

| $ 1,000 | 2010 | 2009 | 2008 |
|---|---|---|---|
| **Current** | | | |
| The Netherlands | 12,265 | 12,633 | 8,999 |
| Foreign | 36,487 | 32,539 | 23,326 |
| | **48,752** | **45,172** | **32,325** |
| **Deferred** | | | |
| The Netherlands | — | — | — |
| Foreign | (19,942) | (10,609) | (2,563) |
| | **(19,942)** | **(10,609)** | **(2,563)** |
| **Total provision for income taxes** | **28,810** | **34,563** | **29,762** |

The Netherlands statutory income tax rate for the years ended December 31, 2010, 2009 and 2008 was 25.5%. The principal items comprising the differences between income taxes computed at The Netherlands statutory rate and the effective tax rate for the years ended December 31, 2010, 2009 and 2008 are as follows:

| | 2010 | | 2009 | | 2008 | |
|---|---|---|---|---|---|---|
| **$ 1,000** | **Amount** | **Percent** | **Amount** | **Percent** | **Amount** | **Percent** |
| Income taxes at The Netherlands statutory rate | 44,146 | 25.5 | 43,944 | 25.5% | 30,418 | 25.5 |
| Earnings of subsidiaries taxed at different rates | 7,710 | 4.5 | 4,710 | 2.7 | 1,432 | 1.2 |
| Tax impact from permanent items | 3,295 | 1.9 | — | — | (3,064) | (2.6) |
| Tax impact from tax exempt income | (10,283) | (6.0) | (11,039) | (6.4) | — | — |
| Purchased in-process research and development | — | — | — | — | 300 | 0.3 |
| Tax contingencies, net | (1,269) | (0.7) | 1,774 | 1.0 | (1,665) | (1.4) |
| Taxes due to changes in tax rates | (1,400) | (0.8) | (3,671) | (2.0) | 2,429 | 2.0 |
| Restructuring | (12,903) | (7.5) | — | — | — | — |
| Other items, net | (486) | (0.3) | (1,155) | (0.7) | (88) | (0.1) |
| **Total provision for income taxes** | **28,810** | **16.6%** | **34,563** | **20.1%** | **29,762** | **24.9%** |

Certain countries benefit from tax holidays which represent a tax exemption period aimed to attract foreign investment in certain tax jurisdictions. These agreements include programs that reduce up to 100% of taxes in years covered by the agreements. One of our subsidiaries has a tax holiday which will expire in 2011.

We conduct business globally and, as a result, file numerous consolidated and separate income tax returns in the Netherlands, Germany, Switzerland and the U.S. federal jurisdiction, as well as in various other state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world. Our tax years since 2002 are open 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 2004. The U.S. consolidated group is subject to federal and most state income tax examinations by tax authorities beginning the year ending December 31, 2007 through the current period.

We do not currently anticipate that our existing reserves related to uncertain tax positions as of December 31, 2010 will significantly increase or decrease during the twelve-month period ending December 31, 2011; however, various events could cause our current expectations to change in the future. The majority of these uncertain tax positions, if ever recognized in the financial statements, would be recorded in the statement of operations as part of the income tax provision.

Changes in the gross amount of unrecognized tax benefits are as follows:

| $ 1,000 | Unrecognized Tax Benefits |
|---|---|
| **Balance at December 31, 2008** | **8,309** |
| Additions based on tax positions related to the current year | 616 |
| Additions for tax positions of prior years | 1,399 |
| Settlements with taxing authorities | (241) |
| Reductions due to lapse of statute of limitations | — |
| Increase from currency translation | 255 |
| **Balance at December 31, 2009** | **10,338** |
| Additions based on tax positions related to the current year | 322 |
| Additions for tax positions of prior years | 124 |
| Settlements with taxing authorities | (592) |
| Reductions due to lapse of statute of limitations | (1,361) |
| Increase from currency translation | (158) |
| **Balance at December 31, 2010** | **8,673** |

At December 31, 2010 and December 31, 2009, our net unrecognized tax benefits totaled approximately $ 8.0 million and $ 9.6 million, respectively, of which $ 8.0 million in benefits, if recognized, would favorably, affect our effective tax rate in any future period. It is possible that approximately $ 0.5 million of the unrecognized tax benefits may be released during the next 12 months due to lapse of statute of limitations or settlements with tax authorities.

Our policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties within tax provision expense. At December 31, 2010, we had $ 0.4 million of accrued interest included in accrued and other liabilities in the accompanying consolidated balance sheet. During 2010, the amount of accrued interest decreased by $ 0.1 million with approximately $ 0.2 million of interest income and $ 0.1 million of interest expense recognized during 2010. At December 31, 2009, we had $ 0.5 million of accrued interest included in accrued and other liabilities in the accompanying consolidated balance sheet. During 2009, the amount of accrued interest increased by $ 0.1 million with approximately $ 0.03 million of interest income and $ 0.2 million of interest expense recognized during 2009.

We have recorded net deferred tax liabilities of $ 163.3 million and $ 171.7 million at December 31, 2010 and 2009, respectively, which are reflected on the consolidated balance sheets at December 31, 2010 and 2009 as follows:

| $ 1,000 | 2010 | 2009 |
|---|---|---|
| Current deferred tax asset | 30,731 | 33,525 |
| Current deferred tax liabilities | (30,504) | (18,912) |
| Non-current deferred tax asset | 37,182 | 26,387 |
| Non-current deferred tax liabilities | (200,667) | (212,690) |
| **Net deferred tax liabilities** | **(163,258)** | **(171,690)** |

The components of the net deferred tax liability at December 31, 2010 and December 31, 2009 are as follows:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| $ 1,000 | Deferred Tax Assets | Deferred Tax Liability | Deferred Tax Assets | Deferred Tax Liability |
| Net operating loss carry forwards | 8,282 | — | 33,462 | — |
| Accrued and other liabilities | 30,138 | (6,487) | 20,972 | (838) |
| Inventories | 3,134 | (1,915) | 4,612 | (1,634) |
| Allowance for bad debts | 744 | (473) | 902 | (432) |
| Currency revaluation | 2,303 | (3,588) | 1,846 | (3,992) |
| Depreciation and amortization | 51 | (7,757) | 1,644 | (13,043) |
| Tax credits | 9,067 | — | 9,288 | — |
| Unremitted profits and earnings | — | (1,042) | — | (864) |
| Capital leases | — | (1,515) | 693 | (725) |
| Intangibles | 1,228 | (206,481) | 462 | (222,015) |
| Equity awards | 5,624 | — | 4,117 | — |
| Other | 7,342 | (1,913) | 12,434 | (2,995) |
| Valuation allowance | — | — | (15,584) | — |
| | **67,913** | **(231,171)** | **74,848** | **(246,538)** |
| **Net deferred tax liabilities** | | **(163,258)** | | **(171,690)** |

At December 31, 2010, we had $ 37.8 million in total foreign net operating losses in the U.S. and other countries. At December 31, 2010, we had $ 23.5 million of U.S. federal net operating loss (NOL) carryforwards. These amounts include $ 9.4 million related to deductions for equity awards. These NOLs have, for the most part, been acquired in recent acquisitions, and a portion of these NOLs are subject to limitations under Section 382 of the Internal Revenue Code. These net operating losses will expire beginning December 31, 2021, though December 31, 2027. As of December 31, 2010, and December 31, 2009, we had other foreign NOL carryforwards totaling approximately $ 14.3 million and $ 45.6 million, respectively. These NOLs were primarily generated from

acquisitions and operating losses from our subsidiaries. A portion of the foreign net operating losses will expire beginning on December 31, 2012. The valuation allowance amounts are zero and $ 15.6 million for the years ended December 31, 2010, and 2009, respectively. The valuation allowance decreased by $ 15.6 million during 2010, which was triggered by an intercompany sale of assets and the related tax effects eliminated in consolidation.

We have undistributed earnings in foreign subsidiaries. Upon repatriation of those earnings, in the form of dividends or otherwise, in some jurisdictions we would be subject to withholding taxes payable to the foreign countries or the receipts would be subject to tax. For those subsidiaries where the earnings are considered to be permanently reinvested, no provision for taxes has been provided. At December 31, 2010 and 2009, we had deferred income tax liabilities of approximately $ 1.0 million and $ 0.9 million, respectively, for taxes that would be payable on the unremitted earnings of certain of our subsidiaries. Determination of the amount of unrecognized deferred tax liability on those unremitted earnings is not practicable because of the complexities associated with this hypothetical calculation.

There are no income tax consequences regarding payment of dividends to our shareholders. To date, we have never paid dividends.

## 14. Accrued and Other Liabilities

Accrued and other liabilities at December 31, 2010 and 2009 consist of the following:

| $ 1,000 | 2010 | 2009 |
|---|---|---|
| Accrued expenses | 54,122 | 64,000 |
| Payroll and related accruals | 42,503 | 49,388 |
| Preacquistion contingencies assumed in acquisition | 28,679 | 40,828 |
| Accrued earn-outs and milestone payments | 24,808 | 27,273 |
| Swaps and forwards | 11,685 | 26,658 |
| Royalties | 16,400 | 18,313 |
| Deferred revenue | 20,973 | 15,943 |
| Accrued interest on long-term debt | 6,296 | 6,296 |
| Capital lease obligations | 3,588 | 3,417 |
| **Total accrued liabilities** | **209,054** | **252,116** |

## 15. Lines of Credit and Debt

We have five separate lines of credit amounting to $ 160.8 million in the aggregate with variable interest rates, of which insignificant amounts were utilized at December 31, 2010 and 2009. There were no significant short-term borrowings as of December 31, 2010 and 2009.

At December 31, 2010, total debt was approximately $873.0 million, $75.8 million of which is current. Total debt consists of the following:

| $ 1,000 | 2010 | 2009 |
|---|---|---|
| $500.0 million term loan paying interest at LIBOR plus a variable margin ranging in aggregate from 0.629% to 0.754%, and 0.631% to 1.068% at December 31, 2010 and 2009, respectively, due on July 12, 2012, with payments commencing in 2009 | 425,000 | 475,000 |
| Notes payable to QIAGEN Euro Finance bearing interest at an effective rate of 3.97% due in November 2012 | 300,000 | 300,000 |
| Notes payable to QIAGEN Finance bearing interest at an effective rate of 2.16% due no earlier than in July 2012 | 145,000 | 145,000 |
| R&D-related loan bearing interest at 3.50% due in June 2019 with repayments commencing in 2011 | 3,006 | — |
| **Total long-term debt** | **873,006** | **920,000** |
| **Less current portion** | **75,835** | **50,000** |
| **Long-term portion** | **797,171** | **870,000** |

As of December 31, 2010, we have drawn down $3.0 million under a loan which can be utilized for up to € 12.7 million to finance R&D projects in Germany. The loan bears interest at 3.5% and is due to be fully repaid by 2019 with repayments commencing in 2011.

Future principal maturities of long-term debt as of December 31, 2010 are as follows:

| Year ending December 31 | $ 1,000 |
|---|---|
| 2011 | 75,835 |
| 2012 | 796,670 |
| 2013 | 501 |
| | **873,006** |

Interest expense on long-term debt was $24.9 million, $26.7 million and $33.7 million for the years ended December 31, 2010, 2009 and 2008, respectively.

During 2007, we signed a Syndicated Multi-Currency Term Loan and Revolving Credit Facilities Agreement with Deutsche Bank AG, Deutsche Bank Luxembourg S.A., and the lenders named in the agreement. The lenders made available a term loan, a bridge loan, which was utilized and repaid in 2007, and a $150 million revolving credit facility. Under the agreement, the $500 million term loan will mature in July 2012 with repayment beginning in July 2009. In July 2010 and 2009, $50.0 million and $25.0 million, respectively, were repaid. The $150 million revolving credit facility will expire in July 2012. The proceeds of the debt were loaned to a subsidiary of QIAGEN N.V., and QIAGEN N.V. has guaranteed the debt. The loan agreements contain certain financial and non-financial covenants, including, but not limited to, restrictions on the encumbrance

of land, restrictions on the transfer of patents to third parties and the maintenance of certain financial ratios. We were in compliance with these covenants at December 31, 2010. The fair value of the note payable approximated its carrying value at December 31, 2010.

In May 2006, we completed the offering of the $300 million of 3.25% Senior Convertible Notes due in 2026 (2006 Notes) through an unconsolidated subsidiary, QIAGEN Euro Finance. The net proceeds of the 2006 Notes were loaned by Euro Finance to consolidated subsidiaries and at December 31, 2010 and 2009, $300.0 million is included in long-term debt for the loan amounts payable to Euro Finance. These long-term notes payable to Euro Finance have an effective interest rate of 3.97% and are due in November 2012. Interest is payable semi-annually in May and November. The 2006 Notes were issued at 100% of principal value, and are convertible into 15.0 million common shares at the option of the holders upon the occurrence of certain events, at a price of $20.00 per share, subject to adjustment. QIAGEN N.V. has an agreement with Euro Finance to issue shares to the investors in the event of conversion. This subscription right, along with the related receivable, is recorded at fair value in the equity of QIAGEN N.V. as paid-in capital. The 2006 Notes cannot be called for the first 7 years and are callable thereafter subject to a provisional call trigger of 130% of the conversion price. In addition, the holders of the 2006 Notes may require QIAGEN to repurchase all or a portion of the outstanding Notes for 100% of the principal amount, plus accrued interest, on May 16, 2013, 2017 and 2022. Based on an estimation using available over-the-counter market information on the convertible bond issued by QIAGEN Euro Finance, the fair value of the 2006 Notes at December 31, 2010 was approximately $365.0 million. We have reserved 15.0 million common shares for issuance in the event of conversion.

In August 2004, we completed the sale of the $150 million of 1.5% Senior Convertible Notes due in 2024 (2004 Notes) through its unconsolidated subsidiary QIAGEN Finance. The net proceeds of the Senior Convertible Notes were loaned by QIAGEN Finance to consolidated subsidiaries in the U.S. and Switzerland and at December 31, 2010 and 2009, $145.0 million is included in long-term debt for the loan amounts payable to QIAGEN Finance. These long-term notes payable to QIAGEN Finance have an effective interest rate of 2.16% and have a maturity until further notice but in no case earlier than July 2012. During 2010, we entered into an agreement for the refinancing of the loan payable for interest and a new maturity date to be determined upon the finalization of the refinancing, but in no case earlier than July 2012. Interest is payable semi-annually in February and August. The 2004 Notes were issued at 100% of principal value, and are convertible into 11.5 million common shares at the option of the holders upon the occurrence of certain events, at a price of $12.6449 per share, subject to adjustment. QIAGEN N.V. has an agreement with QIAGEN Finance to issue shares to the investors in the event of conversion. This subscription right, along with the related receivable, is recorded at fair value in the equity of QIAGEN N.V. as paid-in capital. The 2004 Notes may be redeemed, in whole or in part, at QIAGEN's option on or after August 18, 2011, at 100% of the principal amount, provided that the actual trading price of our common shares exceeds 120% of the conversion price for twenty consecutive trading days. In addition, the holders of the 2004 Notes may require QIAGEN to repurchase all or a portion of the outstanding 2004 Notes for 100% of the principal amount, plus accrued interest, on August 18, 2011, 2014 and 2019. Based on an estimation using available over-the-counter market information on the convertible bond issued by QIAGEN Finance, the fair value of the 2004 Notes at December 31, 2010 was approximately $228.8 million. We have reserved 11.5 million common shares for issuance in the event of conversion.

## 16. Share-Based Compensation

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. We issue new Common Shares to satisfy option exercises and had approximately 14.0 million common shares reserved and available for issuance under this plan at December 31, 2010.

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 0.3 million common shares reserved and available for issuance under these plans at December 31, 2010.

### Stock Options

During the years ended December 31, 2010 and 2009, we granted 570,282 and 491,714 stock options, respectively. Following are the weighted-average assumptions used in valuing the stock options granted to employees for the years ended December 31:

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Stock price volatility | 31% | 40% | 38% |
| Risk-free interest rate | 2.12% | 2.13% | 2.91% |
| Expected life (in years) | 4.84 | 5.01 | 5.27 |
| Dividend rate | 0% | 0% | 0% |
| Forfeiture rate | 7.0% | 7.7% | 8.5% |

A summary of the status of employee stock options as of December 31, 2010 and changes during the year then ended is presented below:

| All Employee Options | Number of Shares | Weighted Average Exercise Price | Weighted Average Contractual Term | Aggregate Intrinsic Value ($ 1,000) |
|---|---|---|---|---|
| Outstanding at January 1, 2010 | 8,281,559 | $ 14.743 | | |
| Granted | 570,282 | $ 21.271 | | |
| Exercised | (924,529) | $ 12.469 | | |
| Forfeited and cancelled | (594,901) | $ 35.421 | | |
| **Outstanding at December 31, 2010** | **7,332,411** | **$ 13.860** | **3.66** | **$ 44,740** |
| **Exercisable at December 31, 2010** | **6,351,142** | **$ 12.927** | **2.88** | **$ 43,864** |
| **Vested and expected to vest at December 31, 2010** | **7,248,637** | **$ 13.790** | **3.60** | **$ 44,700** |

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, 2010, 2009 and 2008 was $6.42, $6.33 and $7.80, respectively. The total intrinsic value of options exercised during the years ended December 31, 2010 and 2009 was $7.7 million and $16.7 million, respectively. At December 31, 2010, the unrecognized share-based compensation expense related to employee stock option awards is approximately $4.1 million and will be recognized over a weighted average period of approximately 1.77 years.

At December 31, 2010, 2009 and 2008, options were exercisable with respect to 6.4 million, 7.4 million and 9.6 million Common Shares at a weighted average price of $12.93, $14.36 and $13.91 per share, respectively. The options outstanding at December 31, 2010 expire in various years through 2020.

### Restricted Stock Units

Restricted stock units represent rights to receive Common Shares at a future date. There is no exercise price and the fair market value at the time of the grant is recognized ratably 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 7.3%. At December 31, 2010, there was $51.8 million remaining in unrecognized compensation cost related to these awards, which is expected to be recognized over a weighted average period of 8.2 years. The weighted average grant date fair value of restricted stock units granted during the year ended December 31, 2010 was $21.15. The total fair value of restricted stock units released during the years ended December 31, 2010 and 2009 was $2.5 million and $6.9 million, respectively.

A summary of restricted stock units as of December 31, 2010 and changes during the year are presented below:

| Restricted Stock Units | Restricted Stock Units | Weighted Average Contractual Term | Aggregate Intrinsic Value ($ 1,000) |
|---|---|---|---|
| Outstanding at January 1, 2010 | 3,039,157 | | |
| Granted | 1,647,579 | | |
| Vested | (115,809) | | |
| Forfeited and cancelled | (154,287) | | |
| **Outstanding at December 31, 2010** | **4,416,640** | **3.07** | **$85,904** |
| **Vested and expected to vest at December 31, 2010** | **3,594,698** | **2.95** | **$69,917** |

### Compensation Expense

Share-based compensation expense for the years ended December 31, 2010, 2009 and 2008 totaled approximately $13.6 million, $9.7 million and $9.8 million, respectively, as shown in the table below. No share-based compensation cost was capitalized in inventory in 2010, 2009 or 2008 as the amounts were not material.

The actual tax benefit realized for the tax deductions of the share-based payment arrangements totaled $ 2.0 million, $ 5.9 million and $ 1.8 million, respectively, for the years ended December 31, 2010, 2009 and 2008.

| Compensation Expense ($ 1,000) | 2010 | 2009 | 2008 |
|---|---|---|---|
| Cost of sales | 932 | 799 | 968 |
| Research and development | 2,087 | 1,826 | 1,818 |
| Sales and marketing | 2,885 | 1,936 | 2,999 |
| General and administrative | 7,688 | 5,186 | 3,620 |
| Acquisition and integration related | — | — | 386 |
| **Share-based compensation expense before taxes** | **13,592** | **9,747** | **9,791** |
| Income tax benefit | 2,856 | 2,913 | 3,025 |
| **Net share-based compensation expense** | **10,736** | **6,834** | **6,766** |

## 17. Commitments and Contingencies

### Lease Commitments

We lease facilities and equipment under operating lease arrangements expiring in various years through 2016. 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 operating lease agreements was $ 17.9 million, $ 13.0 million and $ 11.2 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Minimum future obligations under capital and operating leases at December 31, 2010 are as follows:

| $ 1,000 | Capital Leases | Operating Leases |
|---|---|---|
| 2011 | 5,251 | 13,989 |
| 2012 | 5,272 | 12,145 |
| 2013 | 5,209 | 9,332 |
| 2014 | 5,121 | 7,862 |
| 2015 | 5,149 | 6,196 |
| Thereafter | 7,062 | 11,013 |
| | **33,064** | **60,537** |
| Less: Amount representing interest | (6,121) | |
| | **26,943** | |
| Less: Current portion | (3,588) | |
| **Long-term portion** | **23,355** | |

### 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 1–25% 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 $16.4 million and $18.3 million at December 31, 2010 and 2009, respectively. Royalty expense relating to these agreements amounted to $45.7 million, $47.2 million, and $45.6 million for the years ended December 31, 2010, 2009 and 2008, 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, 2010, we had commitments to purchase goods or services, and for future minimum guaranteed royalties. They are as follows:

| $ 1,000 | Purchase Commitments | License & Royalty Commitments |
|---|---|---|
| 2011 | 50,888 | 1,064 |
| 2012 | 3,013 | 1,168 |
| 2013 | 1,600 | 1,368 |
| 2014 | 355 | 1,468 |
| 2015 | 355 | 1,468 |
| Thereafter | 203 | 4,385 |
| | **56,414** | **10,921** |

### Contingent Consideration Commitments

Pursuant to the purchase agreements for certain acquisitions, as discussed more fully in Note 4, we could be required to make additional contingent cash payments totaling up to $85.4 million based on the achievement of certain revenue and operating results milestones as follows: $8.3 million in 2011, $16.3 million in 2012, $13.3 million in 2013, $2.7 million in 2014, and $44.8 million payable in any 12-month period from now until 2015 based on the accomplishment of certain revenue targets, the launch of certain products or the grant of certain patent rights. Of the $85.4 million total contingent obligation, approximately $28.7 million is accrued as of December 31, 2010. We reassessed the fair value of the contingent consideration as of December 31, 2010, the result of which was not materially different from the fair value determined as of the date of the acquisitions.

### 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, 2010, the commitment under these agreements totaled $19.4 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, 2010 and 2009 appropriately reflect the estimated cost of such warranty obligations.

### Preacquistion Contingencies

In connection with certain acquisitions, amounts were paid into escrow accounts to cover preacquistion 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 $27.0 million as of December 31, 2010 ($37.1 million as of December 31, 2009). In addition, we have recorded $28.7 million for preacquistion contingencies as a liability under accrued and other liabilities as of December 31, 2010 ($40.8 million as of December 31, 2009). We reassessed the fair value of the preacquistion contingencies as of December 31, 2010, the result of which was not materially different from the fair value determined as of the date of the acquisitions.

### Litigation

From time to time, QIAGEN may be party to legal proceedings incidental to its business. As of December 31, 2010, certain claims, suits or legal proceedings arising out of the normal course of business have been filed or were pending against QIAGEN or its subsidiaries. These matters have arisen in the ordinary course and conduct of business, as well as through acquisition. Although it is not possible to predict the outcome of such litigation, based on the facts known to QIAGEN and after consultation with legal counsel, management believes that such litigation will not have a material adverse effect on QIAGEN's financial position or results of operations.

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

In December 2006, Digene filed for arbitration with the International Center for Dispute Resolution of the American Arbitration Association in New York against F. Hoffmann-LaRoche Ltd. and Roche Molecular Systems, Inc. (collectively Roche) for breach of contract of a 1990 Cross License Agreement between Digene and Roche for rights to certain HPV patents. Digene alleged that Roche had breached this license agreement by entering into a Supply and Purchase Agreement with Gen-Probe, Inc. (Gen-Probe) in violation of the terms of the Cross License Agreement. On July 13, 2007, the arbitration panel granted Gen-Probe's request to intervene as a respondent in the arbitration. On April 1, 2009, the arbitration panel granted an interim award denying QIAGEN's breach of contract claims and consequently also the damages. On April 15, 2009, Roche and Gen-Probe filed motions for reimbursement of attorneys' fees. On August 12, 2009, the arbitration panel issued a total award of $6.3 million, including administrative and arbitrator fees, and on August 13, 2009, the Company filed a petition in the Supreme Court of the State of New York to vacate or modify the award of the arbitrators. On August 20, 2009, Roche and Gen-Probe filed a joint petition to confirm the award, and on September 23, 2009, the Court set the briefing / hearing schedule. On December 18, 2009, the District Court heard oral arguments on the petitions to vacate and confirm the arbitration award. On August 16, 2010, the court entered a final judgment in favor of Roche and Gen-Probe and the case was closed.

**Corbett v. Montreal Biotechnologies, Inc.**

On February 19, 2009, M.H. Montreal Biotechnologies, Inc. (MBI) sued QIAGEN, Inc. and Corbett Life Science Pty. Ltd. (Corbett) in the Circuit Court for Montgomery County, Maryland, seeking monetary damages. MBI claimed that QIAGEN, Inc. intentionally interfered with MBI's contractual relations with Corbett, intentionally interfered with MBI's contractual and business relations with its customers, and engaged in unfair competition. Separately, MBI contended that Corbett breached its contract with MBI, breached the implied covenant of good faith and fair dealing, and also engaged in unfair competition. In a court hearing on October 14, 2009, the Court dismissed the case against Corbett. MBI amended its complaint on November 16, 2009, adding QIAGEN N.V. and QIAGEN GmbH as new defendants and changing certain contentions against QIAGEN. The claims against QIAGEN GmbH and QIAGEN N.V. were dismissed in September 2010. In January 2011, QIAGEN and MBI agreed to settle the matter based on confidential terms which included payment by QIAGEN of a de minimis amount.

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

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

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

On November 4, 2009, QIAGEN Gaithersburg, Inc. filed a patent infringement lawsuit against Abbott GmbH & Co. KG (Abbott) in the Düsseldorf District Court in Germany moving for injunctive relief as well as declaratory judgment on damages with respect to patent infringement. On January 19, 2010, a case management conference took place before the Düsseldorf District Court during which Abbott moved for dismissal of the complaint, and the Court set a due date of May 18, 2010 for Abbott's statement of defense, with the Company's reply due by September 21, 2010, and Abbott's rejoinder due by December 27, 2010. The hearing date was set for January 18, 2011. In reaction to the Düsseldorf lawsuit, Abbott has filed a motion to compel arbitration, including an anti-suit injunction against QIAGEN before the Northern District Court of Illinois. QIAGEN filed its opposition on March 8, 2010. By Memorandum and Order dated April 15, 2010, the U.S. District Judge has granted Abbott's motion to compel arbitration but has denied the anti-suit injunction. On April 21, 2010, Abbott contacted QIAGEN seeking to initiate the arbitration proceedings by confirming an arbitrator, and on May 6, 2010, the arbitrator was confirmed. The parties further agreed to conduct the arbitration on September 15 – 16, 2010 in Philadelphia, Pennsylvania. On September 30, 2010, the parties entered into a settlement agreement resolving all disputes related to this matter.

**Roche Molecular Systems, Inc. v. DxS Ltd.**

On February 11, 2010, Roche Molecular Systems filed a lawsuit against DxS in the federal court for the Southern District of New York. In its lawsuit, Roche alleged that DxS is preparing to terminate the parties' Distributor Agreement without good cause and that DxS' termination of the Agreement would cause Roche to suffer irreparable harm in the form of lost business opportunities and goodwill and damage to Roche's reputation. In connection with its lawsuit, Roche had also filed a motion for preliminary injunction in which it asked the court to issue an order prohibiting DxS from terminating the Agreement and requiring DxS to perform its obligations under the Agreement pending the final resolution of the lawsuit. Roche amended its complaint adding QIAGEN

N.V. and QIAGEN GmbH as new defendants and changing certain contentions against QIAGEN. Before the scheduled jury trial, parties entered into a settlement agreement whereby they released each other from, and dismissed, all mutual claims. The matter was thereby closed.

## 18. Employee Benefit Plans

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 $2.1 million, $2.0 million and $2.2 million for the years ended December 31, 2010, 2009 and 2008, respectively. We also have a defined contribution plan which covers certain executives. We make matching contributions up to an established maximum. Matching contributions to the plan totaled approximately $0.4 million in each year ended December 31, 2010, 2009 and 2008.

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 $2.4 million at December 31, 2010, and $2.1 million at December 31, 2009.

## 19. Related Party Transactions

We have 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 €2,750 per day for consulting services, subject to adjustment. We paid approximately $0.3 million and $0.2 million to Dr. Colpan for scientific consulting services under this agreement during each of the years ended December 31, 2010 and 2009, respectively.

We have a 100% interest in QIAGEN Finance (Luxembourg) S.A. (QIAGEN Finance) and QIAGEN Euro Finance (Luxembourg) S.A. (Euro Finance), which were established for the purpose of issuing convertible debt. As discussed in Note 11, QIAGEN Finance and Euro Finance are variable interest entities with no primary beneficiary, thus they are not consolidated. Accordingly, the convertible debt is not included in the consolidated statements of QIAGEN N.V., though QIAGEN N.V. does report the full obligation of the debt through its liabilities to QIAGEN Finance and Euro Finance. As of December 31, 2010 and 2009, we had loans payable to QIAGEN Finance of $145.0 million and accrued interest due to QIAGEN Finance of $3.3 million and amounts receivable from QIAGEN Finance of $2.3 million. As of December 31, 2010 and 2009, we have a loan payable to Euro Finance of $300.0 million, accrued interest due to Euro Finance of $3.0 million and amounts receivable from Euro Finance of $1.6 million. The amounts receivable are related to subscription rights which are recorded net in the equity of QIAGEN N.V. as paid-in capital.

We have a 50% interest in a joint venture company, PreAnalytiX GmbH, which is accounted for under the equity method. We had accounts receivable from PreAnalytiX of $0.6 million and $1.0 million as of December 31, 2010 and December 31, 2009, respectively, and accounts payable to PreAnalytiX of $0.3 million, as of December 31, 2010 and 2009.

From time to time, we have transactions with other companies in which we hold an interest, all of which are individually and in the aggregate immaterial, as summarized in the table below.

| Years ended December 31 ($ 1,000) | 2010 | 2009 |
|---|---|---|
| Net sales | 2,605 | 1,783 |
| Loans receivable | 1,560 | 1,427 |
| Accounts receivable | 2,400 | 2,062 |
| **Accounts payable** | **1,755** | **902** |

## 20. Segment Information

During 2010, we determined that we operate as one business segment in accordance with ASC Topic 280, Segment Reporting. As a result of our continued restructuring and streamlining of the growing organization, and with revised internal budgeting and reporting approaches, our chief operating decision maker (CODM) transitioned to making decisions with regard to business operations and resource allocation based on evaluations of QIAGEN as a whole. Accordingly, we operate as one reporting segment and this change in decision making process has evolved with our continued growth as a Company. 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.

| $ 1,000 | 2010 | 2009 | 2008 |
|---|---|---|---|
| **Net Sales** | | | |
| Consumables and related revenues | 937,714 | 870,216 | 791,428 |
| Instrumentation | 149,717 | 139,609 | 101,547 |
| **Total** | **1,087,431** | **1,009,825** | **892,975** |

### 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 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 con-

solidated 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 $0.2 million, $0.2 million and $0.7 million for the years ended 2010, 2009 and 2008, respectively, and these amounts are included in the line item Europe as shown in the table below.

| $ 1,000 | 2010 | 2009 | 2008 |
|---|---|---|---|
| **Net Sales** | | | |
| **Americas:** | | | |
| United States | 472,682 | 446,151 | 418,556 |
| Other Americas | 50,912 | 47,995 | 34,861 |
| **Total Americas** | **523,594** | **494,146** | **453,417** |
| **Europe** | **398,029** | **363,949** | **321,225** |
| **Asia Pacific&Rest of World** | **165,808** | **151,730** | **118,333** |
| **Total** | **1,087,431** | **1,009,825** | **892,975** |

Long-Lived Assets include property, plant and equipment, intangibles from acquisitions, investments, long-term loans receivable and various long-term deposits. Long-term deferred tax assets have been excluded from the table below. The Netherlands, which is included in the balances for Europe, reported long-lived assets of $13.3 million and $5.9 million for the years ended 2010 and 2009, respectively.

| $ 1,000 | 2010 | 2009 |
|---|---|---|
| **Long-Lived Assets** | | |
| **Americas:** | | |
| United States | 1,575,757 | 1,587,623 |
| Other Americas | 12,997 | 14,270 |
| **Total Americas** | **1,588,754** | **1,601,893** |
| **Europe** | **714,535** | **643,305** |
| **Asia Pacific&Rest of World** | **208,936** | **191,409** |
| **Total** | **2,512,225** | **2,436,607** |

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

| $ 1,000 | Balance at Beginning of Year | Provision Charged to Expense | Write-Offs | Foreign Exchange and Other | Balance at End of Year |
|---|---|---|---|---|---|
| **Year Ended December 31, 2008:** | | | | | |
| Allowance for doubtful accounts | 3,344 | 827 | (703) | (398) | 3,070 |
| **Year Ended December 31, 2009:** | | | | | |
| Allowance for doubtful accounts | 3,070 | 1,705 | (562) | (811) | 3,402 |
| **Year Ended December 31, 2010:** | | | | | |
| **Allowance for doubtful accounts** | **3,402** | **1,444** | **(771)** | **(848)** | **3,227** |

# List of Subsidiaries

The following is a list of the Registrant's subsidiaries as of December 31, 2010, other than certain subsidiaries that did not in the aggregate constitute a significant subsidiary.

| Company Name | Jurisdiction of Incorporation |
|---|---|
| Corbett Research Pty. Ltd. | Australia |
| Corbett Robotics Pty. Ltd. | Australia |
| QIAGEN Australia Holding | Australia |
| QIAGEN Canada Inc. | Canada |
| QIAGEN Deutschland Holding GmbH | Germany |
| QIAGEN Gaithersburg, Inc. | Delaware |
| QIAGEN GmbH | Germany |
| QIAGEN Hamburg GmbH | Germany |
| QIAGEN, U.S. Finance Holdings | Luxembourg |
| QIAGEN, Inc. (Canada) | Canada |
| QIAGEN, Inc. (USA) | California |
| QIAGEN Instruments AG | Switzerland |
| QIAGEN K.K. | Japan |
| QIAGEN Lake Constance GmbH | Germany |
| QIAGEN Ltd. | UK |
| QIAGEN Manchester Ltd. | UK |
| QIAGEN North American Holdings Inc. | California |
| QIAGEN S.A. | France |
| QIAGEN Sciences, LLC | Maryland |
| QIAGEN Shenzhen Co. Ltd. | China |
| QIAGEN S.p.A. | Italy |
| SABiosciences | Maryland |

# Report of Independent Registered Public Accounting Firm

The Supervisory Board and Shareholders of QIAGEN N.V. and Subsidiaries

We have audited the accompanying consolidated balance sheets of QIAGEN N.V. and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 18A. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of QIAGEN N.V. and Subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), QIAGEN N.V. and Subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 18, 2011 expressed an unqualified opinion thereon.

**Ernst & Young GmbH**
Wirtschaftsprüfungsgesellschaft
March 18, 2011
Mannheim, Germany

# Report of Independent Registered Public Accounting Firm

The Supervisory Board and Shareholders of QIAGEN N.V. and Subsidiaries

We have audited QIAGEN N.V. and Subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). QIAGEN N.V. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, QIAGEN N.V. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria. We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of QIAGEN N.V. and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2010 of QIAGEN N.V. and Subsidiaries and our report dated March 18, 2011 expressed an unqualified opinion thereon.

**Ernst & Young GmbH**
Wirtschaftsprüfungsgesellschaft
March 18, 2011
Mannheim, Germany

# Glossary

## [A]

Amplification Making multiple copies of nucleic acid sequences to enable analysis for diagnostic or identification purposes. Various technologies are used to amplify genomic information in the laboratory, the most popular being the Polymerase Chain Reaction (PCR).

Applied Testing Use of Sample & Assay Technologies for professional applications beyond healthcare and research, including human identification and forensics, veterinary testing, food safety and other uses in non-human health applications.

## [B]

Biomarker Molecules found in the body that indicate a specific biological condition such as a disease, predisposition to a disease, or response to drugs, which are increasingly used to personalize medical treatments for various conditions.

Biomedical research Scientific investigation of any matter related to living or biological systems. "Biomedical" usually denotes an emphasis on problems related to human health and diseases.

## [C]

CE mark A mandatory mark, officially called "CE marking," that designates products as meeting safety, health and environmental requirements for the European Economic Area (EEA). The CE mark is a precondition to market products that can be used for in-vitro diagnostics in Europe, and is also accepted by many other countries outside of Europe.

Clinical trial A research study involving patients or human subjects. The most common clinical trials evaluate new drugs, medical devices, biologics, or other patient interventions in scientifically controlled settings, and are required for regulatory approval of new therapies or diagnostics.

Companion diagnostics A key tool for personalized medicine. Companion diagnostics are tests administered ahead or, in combination with, individual drug therapies, allowing physicians to assess the likely outcome and safety, and eliminating a "trial and error" approach to treatment of disease.

CT Chlamydia trachomatis, a disease-causing bacteria. Chlamydia infections are the most common bacterial sexually transmitted infections in humans and are the leading cause of infectious blindness worldwide.

Cytology Study of cells and their structure, function, multiplication and pathology.

## [D]

DNA Deoxyribonucleic acid is a molecule seen as a basic building block of life. It contains genetic information including the instructions needed for an organism to develop, survive and reproduce. In DNA, two strands form a double helix structure built up from the four nucleotides, or "bases," adenine, cytosine, guanine and thymine (A, C, G, and T).

DNA methylation A type of chemical modification, where DNA acts as an "on" and "off" switch for individual genes. Methylation patterns can be analyzed to diagnose conditions and determine the presence or absence of disease.

DNA sequencing The process used to obtain the sequential DNA arrangement of the nucleotides, or "bases," A, C, G and T. The DNA sequence carries information that a cell needs to assemble protein and RNA molecules and is important in investigating the functions of genes.

Drug metabolism The chemical alteration of a drug by the body.

Drug target The biological target for a medicine to act in the body and fight disease.

## [E]

Epigenetics A research area devoted to the analysis of hereditary factors that may have an impact on the phenotype of an organism or its gene expression, but are not associated with changes in the underlying DNA sequence. A key mechanism in epigenetics is DNA methylation.

## [F]

FDA The Food and Drug Administration is an agency of the U.S. Department of Health and Human Services responsible for regulating drugs, medical devices, biologicals such as vaccines, food, dietary supplements, blood products, radiation-emitting devices, veterinary products and cosmetics in the United States.

Forensics Application of scientific techniques to legal matters–for example, analysis of physical evidence from crime scenes or use of DNA evidence for identification of victims or perpetrators.

Functional genomics Study of genes, their resulting proteins and the functions of specific proteins in the body.

## [G]

GC Gonococcus, or Neisseria gonorrhoeae, is a species of Gram-negative bacteria responsible for the sexually transmitted disease gonorrhea.

Gene expression Transfer of genetic information to its active form, usually from DNA via RNA (transcription) into proteins (translation).

Gene silencing Repression of gene expression, especially using the recently discovered mechanism of RNAi (RNA interference). siRNA duplexes can be designed to target and repress expression of specific genes.

Genetic modification (GM) The process of manipulating genes, usually outside the organism's normal reproductive process, to obtain different characteristics, for example in genetically modified foods.

Genome The entire genetic information of an organism. In most organisms it consists of DNA; in some viruses it can consist of RNA.

Genomic DNA A representative sample of DNA contained in a genome.

Genomics Scientific study of genes and their role in an organism's structure, growth, health, disease, ability to resist disease, etc.

Genotyping Genetic fingerprinting, DNA testing, DNA typing, and DNA profiling – study or testing of variations in the genetic information among different individuals.

## [H]

HDA Helicase-dependent amplification is an amplification technology for nucleic acids working at constant temperatures, unlike changing temperatures involved in PCR.

High-throughput screening Testing of large numbers of samples, often simultaneously.

HLA Human leucocyte antigen is a gene product of the major histocompatibility complex that influences immune response. These antigens play an important role in human organ transplantation, transfusions in refractory patients and certain disease associations.

HPV A virus identified as a necessary factor in the development of nearly all cases of cervical cancer in women. Approximately 130 human papillomavirus (HPV) types have been identified. Persistent infection with one of 15 "high-risk" subtypes of sexually transmitted HPV may lead to potentially precancerous lesions and can progress to invasive cancer.

Hybrid capture technology Proprietary technology used to detect various infections such as HPV, chlamydia trachomatis (CT), neisseria gonorrhea (GC) and cytomegalovirus (CMV). In "hybrid capture," RNA probes bind to DNA in the targeted virus or bacterium, forming a "hybrid." This hybrid is then "captured" by an antibody added to the solution. In a later step, additional antibodies that produce light in the presence of hybrids are introduced. They bind to the hybrids, resulting in the emission of light that is measured by an instrument called a luminometer. The amount of light detected indicates the amount of target DNA present.

## [I]

Immunoassay Biochemical test that measures concentration of a specific antibody in a biological liquid, typically serum or urine, using the reaction of an antibody or antibodies to its antigen. The assay takes advantage of the specific binding of an antibody to its antigen.

In vitro diagnostics These tests, known as IVD, are medical devices intended to perform diagnoses from assays in a laboratory test tube, or more generally in a controlled environment outside a living organism. In Latin, in vitro means "in glass."

## [K]

KRAS The KRAS gene (short for Kirsten rat sarcoma viral oncogene homolog) encodes a protein also known as KRAS that is involved in regulating cell division. While the protein product of the unmutated KRAS gene performs an essential function in normal tissue signaling, mutated KRAS genes are potent oncogenes that play a role in many cancers.

## [M]

Metabolic enzyme A protein that catalyzes biochemical reactions for the synthesis, modification and breakdown of molecules (e.g. drugs) in a living organism. The metabolic enzyme pattern differs within individuals and provides a basis for analyzing individual drug responses in patients.

Metabolic markers A molecular marker associated with a metabolic function.

MicroRNAs (miRNAs) Single-stranded RNA molecules of about 21–23 nucleotides in length, which regulate gene expression. miRNAs are encoded by genes that are transcribed from DNA but not translated into proteins (non-coding RNA).

Molecular biology The study of life processes at the molecular level, typically through the study of nucleic acids (DNA and RNA) and proteins.

Molecular diagnostics The use of DNA, RNA and proteins to test for specific health conditions in humans.

Multiplex assay A type of laboratory procedure that performs multiple assays concurrently.

## [N]

Nucleic acid Single or double-stranded polynucleotides involving RNA or DNA, which are the crucial building blocks of life involved in storage and expression of genetic information.

## [O]

Oncogene An oncogene is a gene that, when mutated or expressed at high levels, helps turn a normal cell into a tumor cell. Examples are PI3K, BRAF, KRAS, BCL-ABL.

Optical fluorescence detection technology A technique using optical measurement to quantify and analyze light emissions specific to molecular interactions in a variety of diagnostic and other applications.

## [P]

Pap smear The Papanicolaou test (also called Pap smear, Pap test, cervical smear, or smear test) is a cytology-based screening test used to detect premalignant and malignant (cancerous) processes in the cervix.

Pathogen A pathogen or infectious agent is a biological agent that causes disease or illness.

Pathway A series of metabolic / biological actions among molecules in a cell. An understanding of entire pathways and the complex interactions of all molecules involved – as opposed to the study of individual molecules – is a key to understanding the specifics of many diseases and the development of new diagnostics and drugs.

PCR Polymerase chain reaction is the most widely used laboratory technique to amplify DNA or RNA sequences. The temperature of a sample is repeatedly raised and lowered to help heat-stable polymerase enzymes copy the target nucleic acid sequence. PCR can produce a billion copies of the target sequence in a few hours.

Personalized medicine Use of information from a patient's genotype, level of gene expression and other clinical data to stratify disease, select a medication or dosage, or initiate a therapeutic or preventive measure that is particularly suited to that patient at the time of administration.

Pharmacogenetics Study of the association between specific genetic characteristics and response to drug therapy to select "the right medicine for the right patient."

Pharmacogenomics Analyzing the entire spectrum of genes that determine drug behavior and sensitivity, pharmacogenomics is concerned with genetic effects on drugs themselves, and with genetic variances that contribute to variable effects of drugs in different individuals.

Polymerases Enzymes that catalyze the production of a nucleic acid strand using an existing strand as a template – used in PCR and RT-PCR.

Predisposition A genetic effect that influences the observable characteristics of an organism but can be modified by environmental conditions. Genetic testing can identify individuals who are genetically predisposed to certain health problems.

Primer A strand of nucleic acid that serves as a starting point for DNA or RNA synthesis. They are required because the enzymes that catalyze replication, DNA polymerases, can only add new nucleotides to an existing strand of DNA.

Pyrosequencing A next-generation DNA sequencing technology based on the "sequencing by synthesis" principle. Pyrosequencing enables decoding of short to medium-length DNA sequences and is highly useful for analyzing DNA methylation patterns.

## [R]

Real-time PCR Polymerase chain reaction in real time that involves the sequence-specific amplification of DNA molecules using heat-stable polymerase enzymes. It is often used to measure the amount of a specific DNA molecule in a sample.

RNA Ribonucleic acid is one of the building blocks of life, included in many types of biologically relevant molecules, especially mRNA (messenger RNA), which is copied from DNA and encodes proteins.

RNAi RNA interference is one methodology used to cause gene silencing.

RT-PCR Reverse-transcriptase polymerase chain reaction is a technique that transcribes RNA molecules into DNA molecules, which are then amplified by PCR.

## [S]

SARS Severe acute respiratory syndrome is an atypical pneumonia, caused by the SARS coronavirus (SARS CoV), a novel coronavirus.

Sensitivity A statistical measure of how well a test correctly identifies a condition. For example, with a medical test to determine if a person has a certain disease, the sensitivity is the probability that if the person has the disease, the test result will be "positive." High sensitivity is required when early diagnosis and treatment are beneficial to patients, or when a disease is infectious and screening is useful to containing it.

siRNA Short interfering RNA is a specific short sequence of double-stranded RNA (dsRNA) with less than 30 base pairs.

SNP Single nucleotide polymorphism – DNA sequence variations occurring when a single nucleotide (A, T, C or G) in the genome differs between members of a species. Variations in DNA sequences can affect how humans develop diseases and respond to pathogens, drugs, vaccines and other agents, and thus serve as potential biomarkers. SNPs are thought to be key enablers in achieving the potential of personalized medicine.

Specificity A statistical measure of how well a test correctly identifies the negative cases, those that do not meet the condition under study. For example, specificity in a medical test to determine if a person has a certain disease is the probability that a "negative" result accurately indicates that the person does not have the disease. High specificity is important when the treatment or diagnosis could be harmful to patients mentally and / or physically.

Swine flu Any strain of the influenza virus that can be endemic in pigs (swine), and also found in humans. The 2009 – 2010 pandemic in humans, widely known as "swine flu" or "H1N1," was due to a strain of influenza A virus subtype H1N1 that global health authorities viewed as a particularly dangerous threat.

## [W]

Workflow An orderly series of steps a laboratory must follow to take a sample from raw biological material through isolation and purification, identification and measurement by molecular assays, on to analysis and through final results. Automation systems increasingly move beyond individual lab tasks to focus on enhancing the efficiency of entire workflows.

# Service

## CORPORATE COMMUNICATIONS

### For Investors

Phone worldwide: +49 2103 29 11710
Phone U.S.: +1 240 686 2222
Email: ir@qiagen.com

### For Media

Phone worldwide: +49 2103 29 11826
Phone U.S.: +1 240 686 7425
Email: pr@qiagen.com

## CREDITS

### Concept and Design

3st kommunikation, Mainz

### Photography

Michael Dannenmann (p. 4–11)
Andreas Fechner (p. 21–27)
Dr. Hermann Unger (p. 32)

Getty Images (p. 13–14, p. 66–67, p. 90–91, p. 36–37)

Masterfile (p. 38–39)


## FINANCIAL CALENDAR

### April 27, 2011

First Quarter 2011 Results

### June 30, 2011

Annual General Meeting

### July 25, 2011

Second Quarter and Half-Year 2011 Results

### November 2, 2011

Third Quarter and Nine-Month 2011 Results

## TRADEMARKS

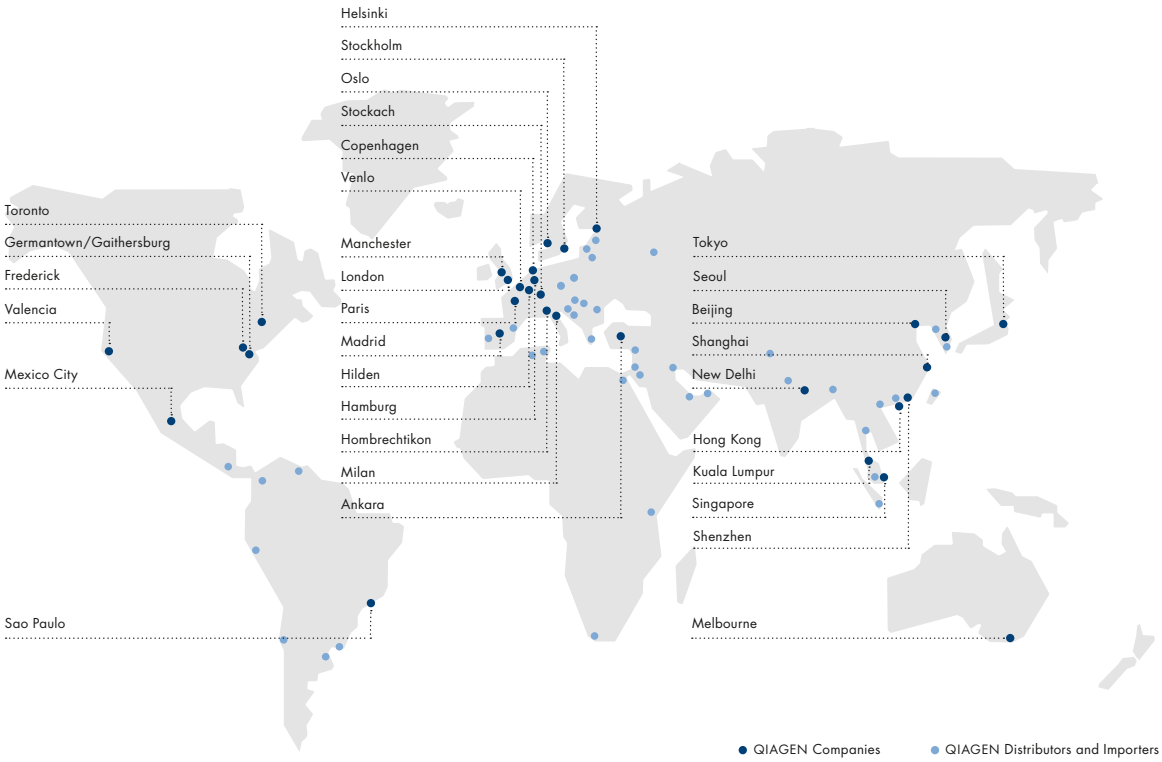
Our name together with our logo is registered as a trademark in the United States and a number of other countries: QIAGEN®.

For a complete list of QIAGEN's trademarks and disclaimers, please refer to QIAGEN's webpage under http://www.qiagen.com/trademarks_disclaimers.aspx

In this annual report QIAGEN is using the term molecular diagnostics. The use of this term is in reference to certain countries, such as the United States, limited to products subject to regulatory requirements. Current QIAGEN Molecular Diagnostics products are five FDA (PMA approved or 510k cleared) products, 59 EU CE IVD assays, nine EU CE IVD sample preparation products, eight China SFDA IVD assays, and 16 clinical sample concentrator products.

This Annual Report may also contain trade names or trademarks of companies other than QIAGEN.

# QIAGEN around the world




## QIAGEN COMPANIES

**Americas**

QIAGEN North American Holdings, Inc.
19300 Germantown Rd
Germantown, MD 20874
United States of America

QIAGEN Sciences, Inc.
19300 Germantown Rd
Germantown, MD 20874
United States of America

QIAGEN Gaithersburg, Inc.
1201 Clopper Road
Gaithersburg, MD 20878
United States of America

QIAGEN, Inc.
27220 Turnberry Lane
Suite 200
Valencia, CA 91355-1106
United States of America

QIAGEN, Inc.
6951 Executive Way, Suite 100
Frederick, MD 21703
United States of America

QIAGEN, Inc.
2800 Argentia Road, Unit 7
Mississauga, Ontario L5N 8L2
Canada

QIAGEN Mexico, S. de R.L. de C.V.
Colima 164
Colonia Roma
C.P. 06700 Mexico D.F.
Mexico

QIAGEN Brasil Ltda.
Rua Dr. Bacelar 333
04026-001 Sao Paulo
Brazil

**Europe**

QIAGEN N.V.
Spoorstraat 50
5911 KJ Venlo
The Netherlands

QIAGEN Benelux B.V.
Spoorstraat 50
5911 KJ Venlo
The Netherlands

QIAGEN Hamburg GmbH
Königstrasse 4a
22767 Hamburg
Germany

QIAGEN GmbH
QIAGEN Strasse 1
40724 Hilden
Germany

QIAGEN Lake Constance GmbH
Jaques-Schiesser-Strasse 3
78333 Stockach
Germany

QIAGEN AB, Scandinavia
Frösundaviks Allé 15
169 70 Solna
Sweden

QIAGEN S.p.A.
Via Grosio, 10/8
20151 Milan
Italy

ATQ Biyoteknoloji
Iç ve Dis Ticaret Limited Sirketi
7. Cad., No: 73/A; Birlik Mahallesi
06610 Çankaya - Ankara
Turkey

QIAGEN S.A.
3 avenue du Canada
LP 809
91974 Courtaboeuf Cedex
France

QIAGEN Iberia, S.L.
Rosa de Lima, 1
Edificio Alba
28290 Las Matas, Madrid
Spain

QIAGEN AG
Elisabethenstrasse 3
4010 Basel
Switzerland

QIAGEN Instruments AG
Garstligweg 8
8634 Hombrechtikon
Switzerland

QIAGEN Manchester Ltd.
Grafton Street 48
Manchester, M13 9XX
United Kingdom

QIAGEN Ltd.
QIAGEN House
Fleming Way
Crawley
West Sussex, RH10 9NQ
United Kingdom

**Asia**

QIAGEN Hong Kong Ptd. Limited
Unit 1406, 14/F, Lippo Sun Plaza
28 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

QIAGEN Singapore Pte. Ltd.
Ayar Rajah Industrial Estate
73 Ayer Rajah Crescent
139952 Singapore

QIAGEN K.K.
Forefront Tower II
13-1, Kachidoki 3 Chome
Chuo-ku, Tokyo 104-0054
Japan

QIAGEN China Co., Ltd.
Suite 2506, POS Plaza
1600 Century Ave
Pudong, Shanghai 200122
China

PG Biotech Co., Ltd.
F6, R3-B, High-Tech Industrial Park
Shen Nan Avenue
Shenzhen 518057
China

Tiangen Biotech Co., Ltd.
Building C7-3, Northern Territory
No.66 Xixiaokou Road
Haidian District
Beijing 100192
China

QIAGEN Korea Ltd.
#1012 C Bldg. Woolim-Lions Valley
371-28 Gasandong, Gumchungu
Seoul 153-786
South Korea

QIAGEN Sdn. Bhd.
Level 13, Wisma E&C
No. 2 Lorong Dungun Kiri
Damansara Heights
50490 Kuala Lumpur
Malaysia

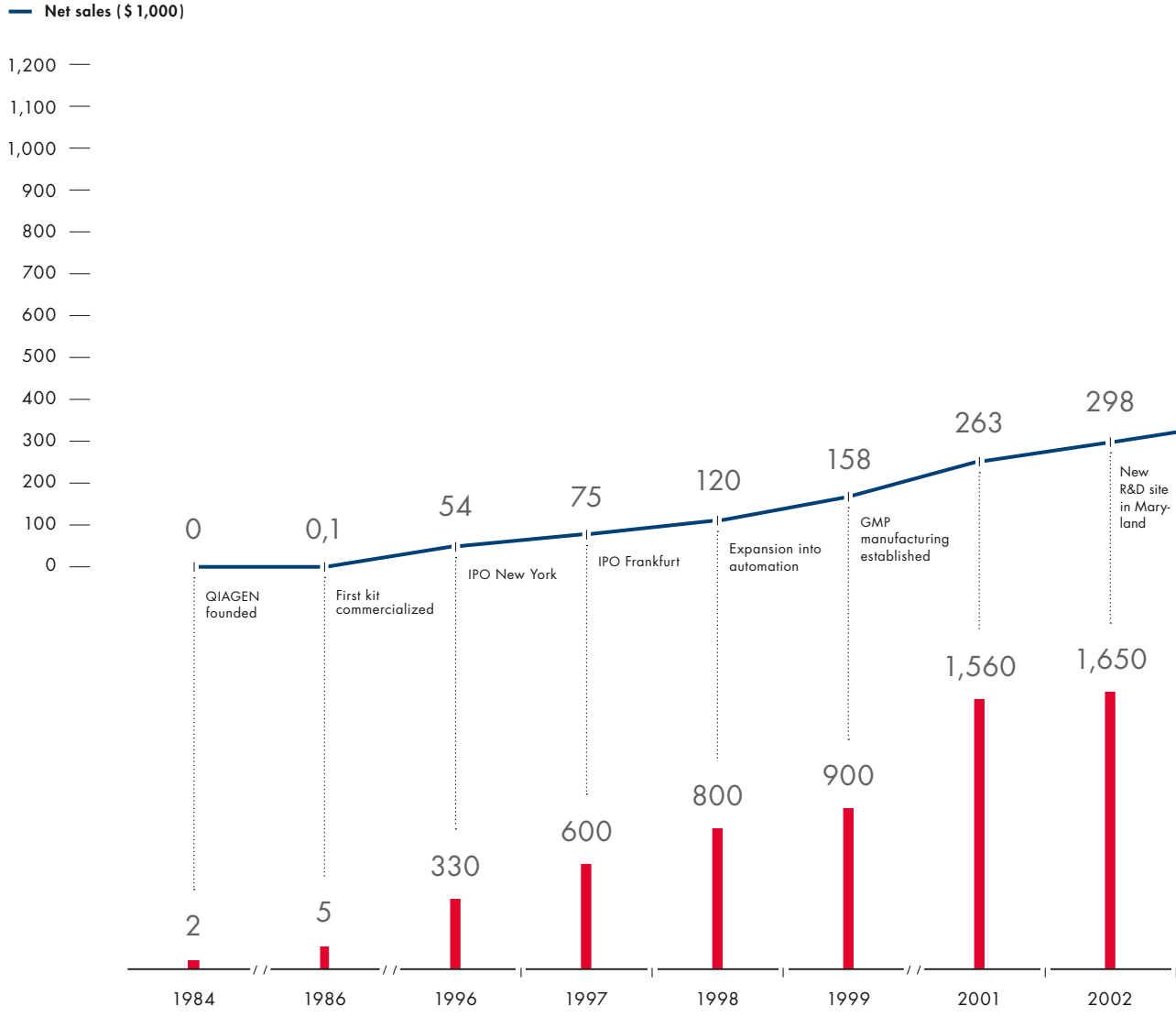
QIAGEN India Pvt. Ltd.
Samyak Towers
Pusa Road, Karol Bagh
Property No 39, 2nd floor
110005 New Delhi
India

**Australia**

QIAGEN Pty Ltd.
PO Box 641
Doncaster
Victoria 3108

# Development of QIAGEN

## QIAGEN NET SALES, EMPLOYEES AND STRATEGY DEVELOPMENT




PRODUCT STRATEGY

Leadership in individual platform technologies

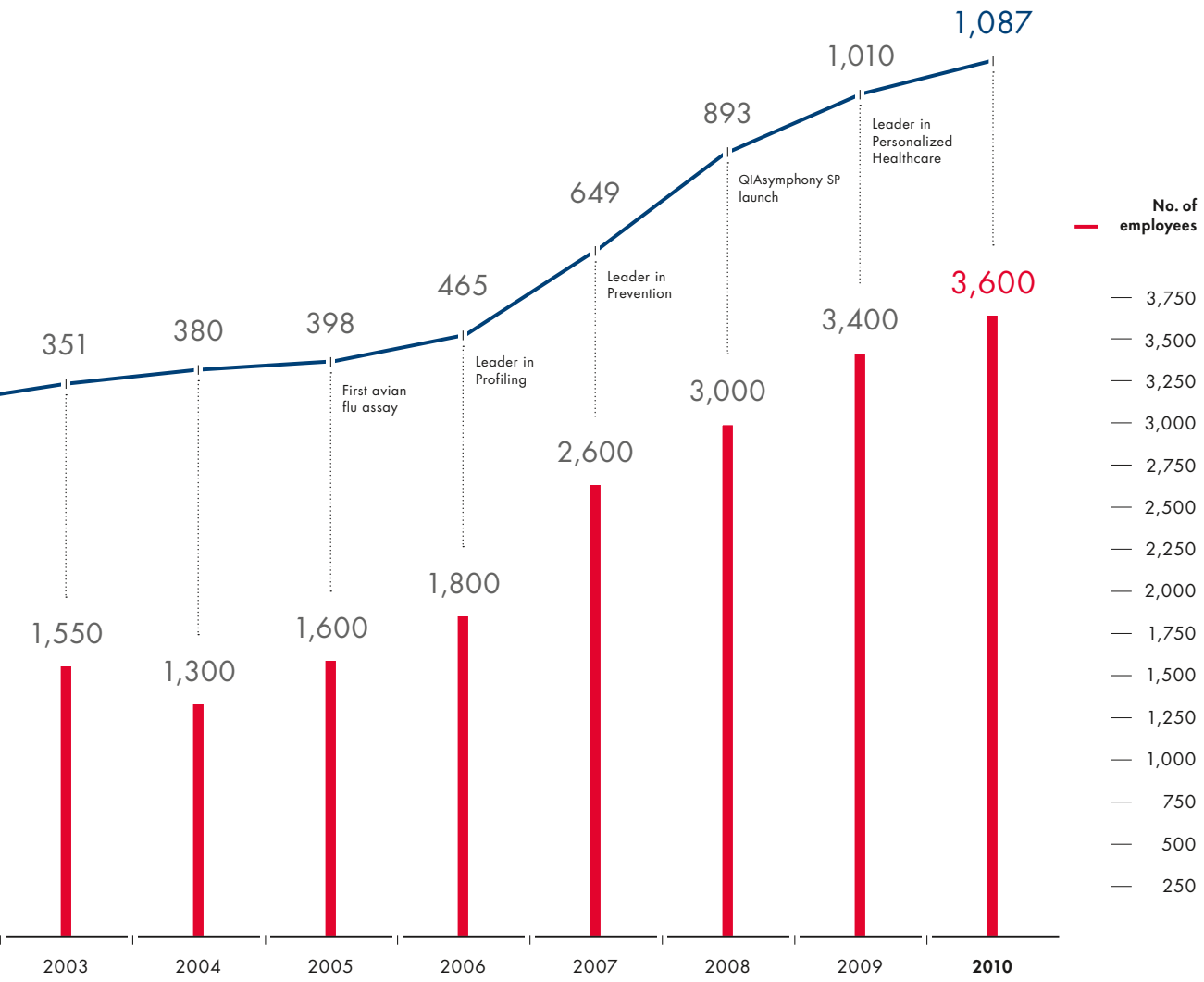
Integrate platform technologies into complete workflows

COMPONENTS

WORK

MARKET STRATEGY

Leadership in Sample & Assay Technologies




Develop workflows

Expand molecular content on automated workflows

**FLOWS** | **AUTOMATION** | **MOLECULAR CONTENT**

- Create customer-specific sales channels
- Build critical mass in molecular diagnostics

Molecular Diagnostics customer class created:

- Prevention
- Profiling
- Personalized Healthcare
- Point of Need