QIAGEN N.V.

Annual Report 1999

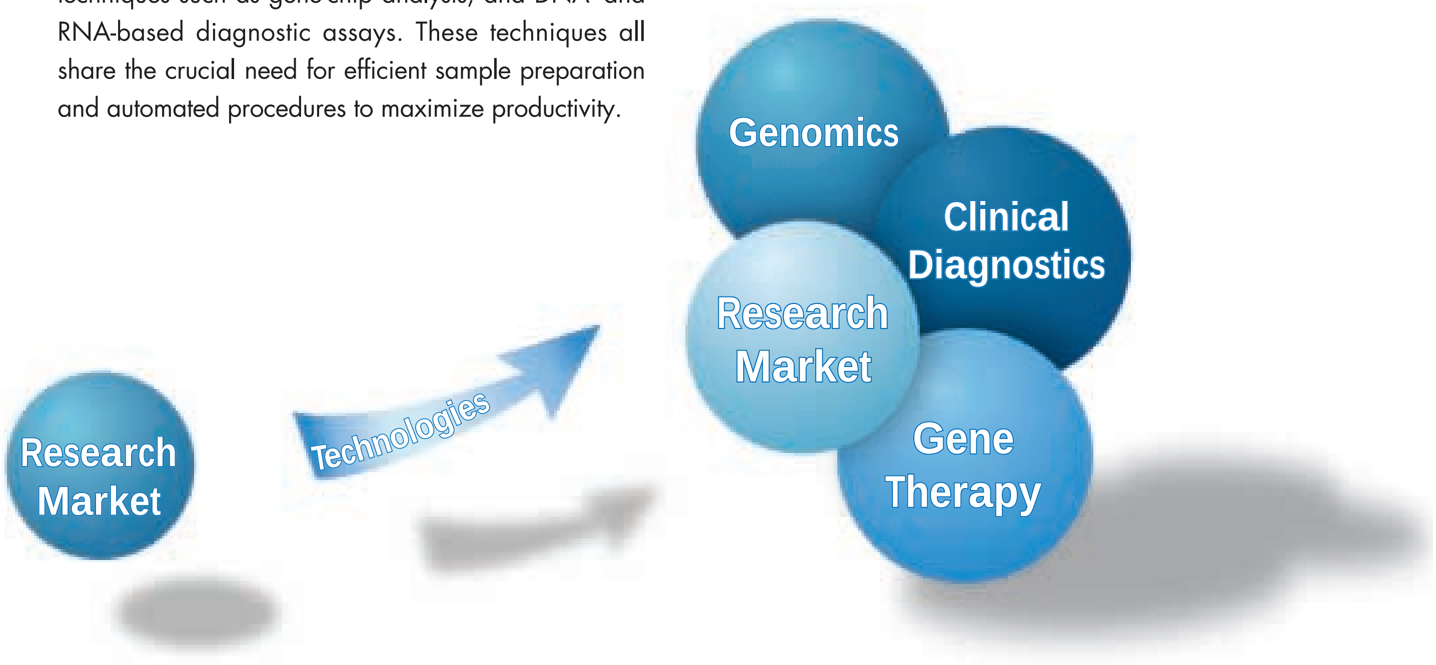
QIAGEN

Contents

QIAGEN is the world's leading provider of innovative technologies for separating and purifying DNA and RNA — the genetic blueprints of life. Since 1986, QIAGEN has been successfully developing, producing, and marketing an ever increasing range of proprietary products for academic, industrial, and clinical research.

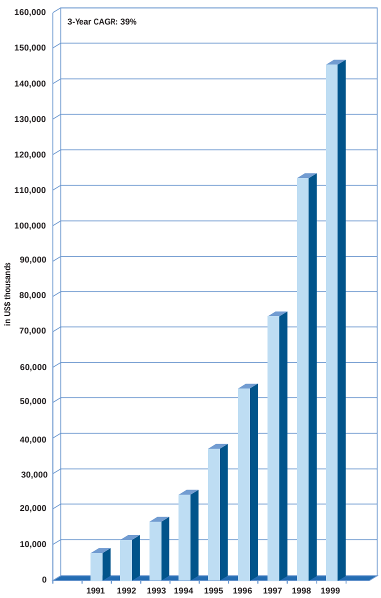
At the dawn of the new century, the pace of genetic discovery is accelerating at an unprecedented rate. New disease-associated genes are being identified almost daily, promising a future of targeted medical treatments based on genetic information and efficient management of infectious disease. Advances in genetic medicine are being fueled by an array of new techniques such as gene-chip analysis, and DNA- and RNA-based diagnostic assays. These techniques all share the crucial need for efficient sample preparation and automated procedures to maximize productivity.

1999 was a year of momentum for QIAGEN as our innovative technologies helped fuel the surge in biotechnology. Building on our leading position in the research market, we have created a wealth of new opportunities in genomics, molecular diagnostics, and gene therapy markets through new innovative products and strategic alliances with key commercial players. Our unique market position and tradition of innovation, quality, and service are generating exciting opportunities which will fuel the Company's continued momentum of growth and success.

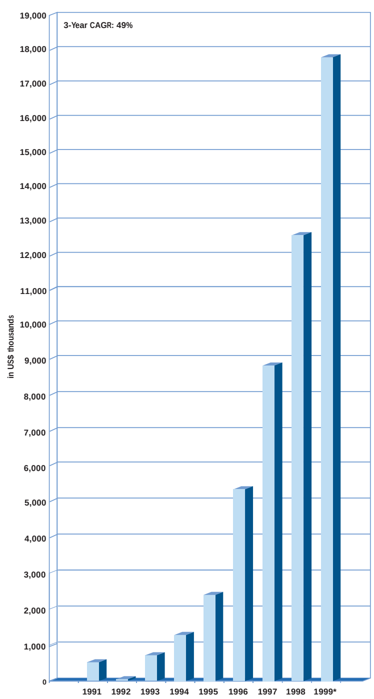


Financial Highlights

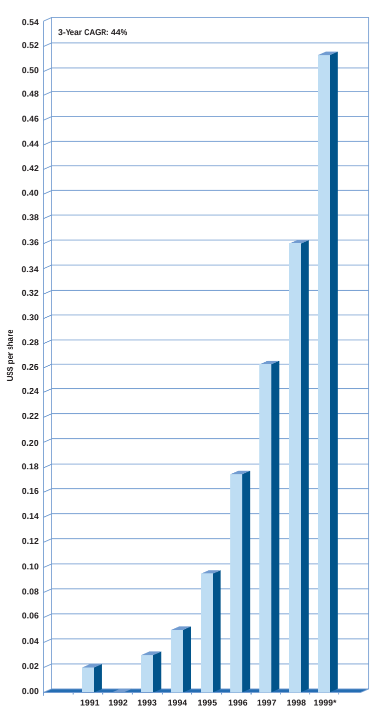
Net Sales



Net Income



Diluted Earnings per Share



* Excluding the effect of purchased in-process research and development related to the acquisition of Rapigene Inc.

Report of the Supervisory Board

QIAGEN Supervisory Board with
QIAGEN Management Board

From left to right, standing:
Mr. Peer M. Schatz; Dr. Metin Colpan;
Prof. Dr. jur. Carsten P. Claussen (Special Advisor and Honorary Chairman); Mr. Erik Hornnaess; Prof. Dr. Manfred Karobath.

From left to right, sitting:
Dr. Franz A. Wirtz; Prof. Dr. Detlev H. Riesner;
Mr. Jochen Walter.

Dear Fellow Shareholders,

The Supervisory Board exercised supervision over the Management Board's policies and business conduct throughout the financial year. Acting in the best interests of the Company and its business, the Supervisory Board monitored the Company's activities, including its strategic, economic, and market developments, R&D investments, acquisitions and alliances, and human resources management. Information on the Company's activities was communicated by the Management Board to the Supervisory Board through regular meetings and business reports.

The Audit and Compensation Committees, which are composed of members of the Supervisory Board, have monitored various Company issues according to the Netherlands Committee on Corporate Governance, and have fulfilled their legal purposes. The Supervisory Board has no major changes to report regarding the recommendations of the Netherlands Committee on Corporate Governance described in the Company's 1997 Annual Report.

QIAGEN N.V. is a limited liability company incorporated under the laws of the Netherlands. All Company operations are carried out according to Dutch Corporation Law, U.S. Federal Securities Law and Regulations, and the laws of the German capital market, in particular the Börsengesetz and the Wertpapierhandelsgesetz. The common shares of the Company are registered and traded in the United States on the Nasdaq National Market and in Germany on the Neuer Markt division of the Frankfurt Stock Exchange. The majority of the Company's shares are believed to be held by shareholders in the United States and in Europe, particularly Germany.

The Company practices non-distribution of net income, as is common among relatively young, fast-growing companies with significant future growth potential in rapidly growing fields. This policy benefits shareholders by increasing share value, and we believe it to be in line with shareholders' taxation preferences.

In this Annual Report the financial statements for the year 1999 are presented, as prepared by the Management Board. These statements have been audited by Arthur Andersen LLP (Independent Public Accountants) and examined and approved by the Supervisory Board. We recommend that shareholders adopt these financial statements, including allocation of profits to retained earnings, at the Annual General Meeting.

The term of office of the members of the Supervisory Board expires as of the close of the Annual General Meeting of shareholders of QIAGEN N.V. to be held on June 16, 2000. Mr. E. Hornnaess, Prof. Dr. D. Riesner, Mr. J. Walter and Dr. F. Wirtz will stand for re-election. Prof. Dr. jur C. P. Claussen has agreed to continue to serve as Special Advisor and Honorary Chairman. Prof. Dr. M. Karobath and Dr. H. Hornef will stand for election as new members of the Supervisory Board.

The Supervisory Board proposes that the Managing Directors Dr. Metin Colpan, Chief Executive Officer, and Mr. Peer M. Schatz, Chief Financial Officer, be re-elected as members of the Management Board at the Annual General Meeting on June 16, 2000.

Hilden, Germany, April 2000
Prof. Dr. Detlev Riesner
Chairman of the Supervisory Board

Letter from the Management Board

To Our Shareholders,

We are pleased to tell you that 1999 was another successful year for QIAGEN as we continued our 14-year momentum of successful growth. Our net sales and net income grew by 31% and 42% respectively over 1998, with $144.0 million generated in net sales and $17.7 million in net income*. QIAGEN is today one of the largest and most prominent suppliers of innovative enabling technologies to the biotechnology industry.

QIAGEN's success is based on a philosophy of innovation, quality, and service, and its growth is fueled by a dynamic and enthusiastic workforce of over 1,000 employees worldwide. Their scientific excellence, sales and marketing power, and unwavering commitment to customer service are the cornerstones of QIAGEN's achievements. In 1999, we continued our tradition of innovation by launching 24 new products, including kits for various DNA and RNA purification applications, reverse transcription, PCR, and protein assay, as well as state-of-the-art instrumentation for automating a wide range of molecular biology and molecular diagnostic applications. These new products and instruments further strengthen our leadership in areas from which new market segments are emerging.

1999 witnessed an acceleration in the momentum of QIAGEN's strategic activities and advancements in developing markets. Our acquisition of Rapigene adds significant strength to QIAGEN's technology platform and allows us to focus with vigor on the expanding genomics and gene-based drug discovery markets. Through our alliances with EVOTEC, Zeptosens, and Affymetrix, we are developing new technology platforms that target the high-throughput sample preparation and handling needs of genomics and molecular diagnostics laboratories. QIAGEN has also joined forces with DSM Biologics and Valentis to form pAlliance, which is considered the world's leading consortium for manufacturing cGMP-grade plasmid DNA for gene therapy and genetic vaccination. Probably the most significant alliance and strategic move for QIAGEN is its joint venture with Becton, Dickinson and Company, called PreAnalytiX. This venture is well on the way to launching products which, by integrating the strengths of the two companies, address a key need in the rapidly emerging molecular diagnostics markets.

The exciting breakthroughs we have made in 1999, combined with our position as a leading provider of enabling technologies for molecular biology-related markets in academia and industry, are placing QIAGEN at the heart of advances in the biotechnology industry. During the coming year we will continue to develop innovative tools to drive the growing research, genomics, molecular diagnostics, and gene therapy markets, and we look forward to reporting future successes.

Thank you for your interest in QIAGEN.

Dr. Metin Colpan
Chief Executive Officer

Mr. Peer M. Schatz
Chief Financial Officer

* Excluding the effect of purchased in-process research and development related to the acquisition of Rapigene Inc.

Fueling Momentum in the Biotech Industry

1999 was a year of momentum for the life sciences, as increasing knowledge in gene-based sciences fueled and accelerated activities in life science research, genomics, molecular diagnostics, and gene therapy. 1999 was also a year of milestones for QIAGEN. We achieved significant breakthroughs in the markets we are addressing and took strategic steps to position QIAGEN at the heart of these exciting, developing industries.

LIFE SCIENCE MARKET

The core of the biotech industry

The academic and industrial life science research market represents the core of the biotech sector, from which new market segments emerge. This market is both profitable and strategically important for QIAGEN, as new market segments adopt tools and techniques standardized in the research market. As a leading provider of DNA and RNA purification and analysis technologies to the research market, QIAGEN is uniquely positioned to capture opportunities in the rapidly growing genomics, molecular diagnostics, and gene therapy markets as they develop.

QIAGEN STRATEGY

Leading research markets

One of the key factors in QIAGEN's success is our broad technology platform, from which new products are developed. In 1999, we continued to expand our product portfolio for the life science research market by launching 24 innovative new products for DNA and RNA purification, PCR, sequencing, and protein applications. Our leading position in the research market and reputation for providing high-quality, innovative products provide a strong base for new products to succeed.

GENOMICS MARKET

Targeted drug discovery

1999 witnessed huge advances in the amount of genome sequence data available. A revolution in pharmaceutical, agricultural, and veterinary research is now underway as drug development strategies based on this knowledge are initiated.

Advances in genomics are being fueled by a myriad of new high-throughput technologies, such as DNA chips, microarrays, and bioinformatics, which permit simultaneous screening of hundreds or thousands of genes or individuals. These technologies are breaking the bottleneck in genomics-based drug discovery by pinpointing precise targets for future drug therapies. We are excited to be providing this growing industry with the sample preparation and automation technologies it needs to succeed and to have recently boosted our portfolio with breakthrough genetic analysis technologies.

QIAGEN STRATEGY

Advancing genomics markets

The demand for our products is increasing rapidly with the acceleration of high-throughput drug development, which relies on fast, efficient methods to prepare samples for analysis. In 1999, QIAGEN acquired Rapigene — a technology leader in high-throughput genomic analysis. Rapigene's proprietary Masscode™ technology represents a new dimension in screening of single nucleotide polymorphisms (SNPs) — the genetic variations between individuals — and adds significant weight to QIAGEN's enabling technology platform. During the last year, we also formed several strategic alliances with key genomics companies to develop and commercialize new technologies for high-throughput nucleic acid analysis. By combining our expertise in nucleic acid purification with leading proprietary technologies from EVOTEC, Zeptosens, and Affymetrix, we are creating seamlessly integrated, broad-end technology platforms and opening a wealth of opportunities for QIAGEN in global genomics and drug discovery markets.

Fueling Momentum in the Biotech Industry

DIAGNOSTICS MARKET

Fast disease identification

1999 was an important year for the diagnostics industry as further first-generation DNA and RNA-based diagnostic tests were introduced into the marketplace. Commercial ready-to-run assays are now available for identification of genetic disorders such as cystic fibrosis and detection of pathogens including the tuberculosis bacterium and HIV. As the genetic causes behind life-threatening diseases, for example cancer and heart disease, are being identified, genetic testing is enabling faster diagnosis, better disease prediction, and more targeted drug treatments. Leading diagnostic companies such as Abbott Laboratories incorporate QIAGEN sample preparation technologies into their own assay systems. We foresee significant future growth for QIAGEN in molecular diagnostic markets as the applications routinely performed require reliable tools for stabilizing, extracting, and purifying nucleic acids.

QIAGEN STRATEGY

Penetrating molecular diagnostics markets

In 1999, QIAGEN formed PreAnalytiX, a joint venture with Becton, Dickinson and Company to develop, manufacture, and market integrated systems for collecting, stabilizing, and purifying nucleic acids for molecular diagnostic testing. We are very excited to be working towards providing clinical laboratories with the standardized, reliable procedures they need for sample collection and preparation. Furthermore, QIAGEN's QIAamp® Viral RNA purification technology recently received approval from the German regulatory authority Paul Ehrlich Institute for sample preparation in hepatitis C virus (HCV) RNA screening of donated blood. This validation is an important breakthrough for QIAGEN in routine molecular diagnostic screening.

GENE THERAPY MARKET

Nucleic acids as drugs

Identifying the genetic basis behind life-threatening diseases is unleashing a myriad of potential therapies and vaccines based on nucleic acids themselves. Hundreds of clinical trials are currently underway to evaluate gene cures for cancer, cardiovascular disease, and infectious diseases such as AIDS. As gene therapy trials provide valuable feedback on the safety and efficiency of current gene delivery methods, researchers are increasingly turning to methods that require large quantities of DNA. QIAGEN's knowledge and experience in bulk manufacture of ultrapure DNA is playing an important role in supporting the budding gene therapy industry.

QIAGEN STRATEGY

Serving gene therapy markets

In 1999, QIAGEN entered a strategic alliance with DSM Biologics and Valentis to provide contract plasmid DNA manufacturing services to the gene therapy industry. By combining the experience and know-how of three industry leaders, pAlliance is establishing a new standard in plasmid DNA manufacturing and positioning QIAGEN at the hub of the emerging gene therapy and genetic vaccination markets.

Fueling Momentum in the Biotech Industry

AUTOMATION MARKET

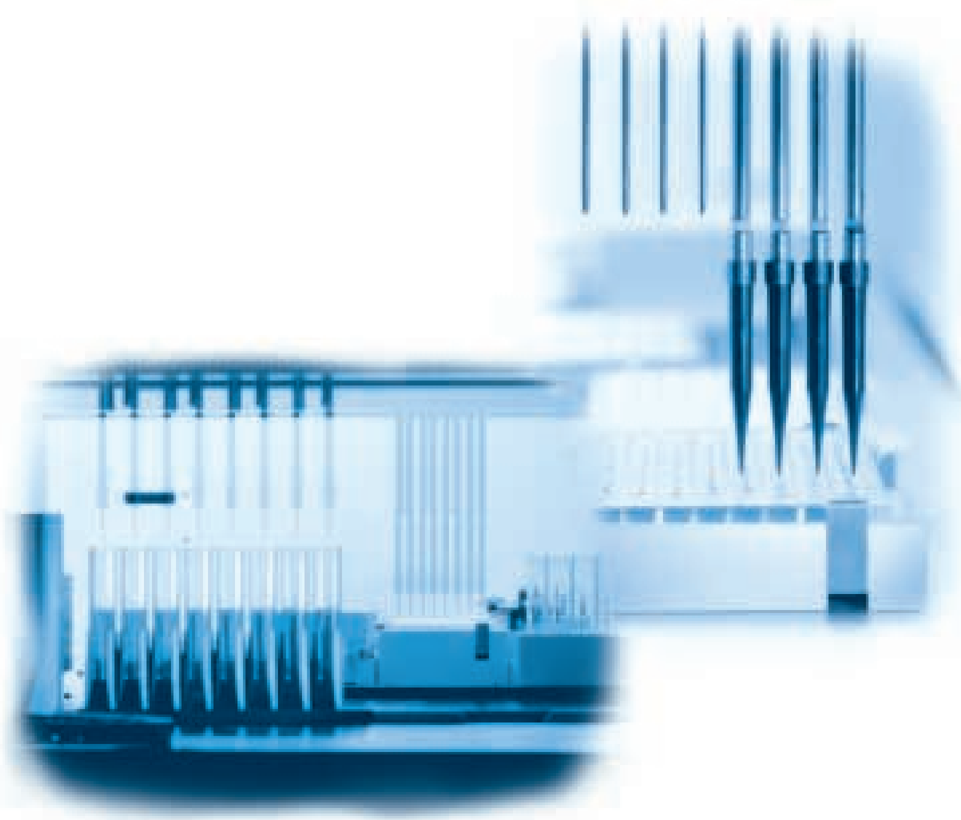
Maximized productivity

We believe that the future of research, drug discovery, and molecular diagnostics lies in automating routine procedures to achieve the highest productivity and reproducibility. QIAGEN is helping biotech, pharmaceutical, and diagnostics companies to eliminate bottlenecks in their research processes by providing them with complete, reliable automation systems.

QIAGEN STRATEGY

Expanding automation capabilities

We continue to invest heavily in automation, drawing on the expertise of Rosys AG, which we acquired in 1998. In 1999, we successfully launched the third in our BioRobot™ series of molecular biology workstations. The BioRobot 3000 is a unique instrumentation package which provides tailor-made automation solutions to molecular biology laboratories. We believe the flexible, customized approach provided by our new BioRobot systems represents the next wave in molecular biology lab automation.



Building for the Future

At the end of 1999, QIAGEN had nearly 1,000 employees worldwide, with a large percentage employed in R&D, sales, and marketing — functions that we believe are crucial for the Company's continued development. Our investments in technology, people, and infrastructure are building the backbone needed to foster and support our future growth.

Investing in innovation

During 1999 we continued to expand our R&D operation, which now comprises over 200 highly qualified scientists. Our R&D staff come from a wide range of scientific disciplines and maintain continual contact with the scientific community to keep on the cutting edge of new applications. Their work is leveraged by the close relationship which we, as an enabling technology provider, have with our 150,000 customers, most of whom are scientists. The innovative ideas and developments that arise from this interaction are the cornerstones of future products and new strategic alliances. We have also expanded our patent and licensing department, and in 1999, QIAGEN was awarded 36 new technology patents with 76 applications pending.

Building infrastructure

New buildings are planned in the United States and Germany to keep pace with our expanding workforce. Our facilities in Germany, and soon also in the US, operate according to GMP and ISO 9001 guidelines, meeting the regulatory requirements of the diagnostics markets. We constantly monitor and improve our standard operating procedures to maintain our high product quality. In 1999, we further strengthened our worldwide presence, and currently over 40 countries are covered by our network of subsidiaries and distributors, with 8 countries served directly by QIAGEN companies. We believe that these 8 countries represent 90% of the market for our products and services, and our local operations will enable us to efficiently tap into this huge market potential. In 1999, we also expanded our management personnel, adding further competency to several key departments.

Ensuring customer satisfaction

Keeping our customers happy is crucial to QIAGEN's success, and our service teams are at the heart of QIAGEN's commitment to customer satisfaction. Our sales force and technical service departments are among the largest and most focused in the industry, ensuring that our representatives have the time and resources to meet the needs of new and existing customers. This sales and marketing strength is providing exciting strategic opportunities as our markets expand and develop further. Feedback from the field is channeled into our global marketing operation, which monitors customers' and markets' evolving needs and produces a spectrum of high-quality technical literature. In line with our commitment to service, we have recently entered a strategic e-commerce agreement with SciQuest.com — a leading supplier of laboratory products in the electronic marketplace. This agreement has enabled us to respond to customers' changing purchasing patterns by providing efficient online ordering.

Continuing the momentum

Through our investments in innovation, employees, and infrastructure, we are putting in place the resources needed to fuel and manage our anticipated expansion in the rapidly developing genomics, diagnostics, and gene therapy markets. We believe that our unique market position combined with our strategy of technology innovation, high-quality products, and excellent customer service will continue to drive QIAGEN's growth and success.

Contents — Financial Data

SELECTED CONSOLIDATED FINANCIAL DATA

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

THE INFORMATION BELOW SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS (AND NOTES THEREON) AND "MANAGEMENT'S DISCUSSION AND ANALYSIS."

	Year Ended December 31,				
	1999	1998	1997	1996	1995
Consolidated Statement of Income Data:					
Net sales	**$ 143,960**	$ 110,248	$ 74,274	$ 54,157	$ 36,992
Cost of sales	**39,961**	32,769	20,069	14,669	9,550
Gross profit	**103,999**	77,479	54,205	39,488	27,442
Operating Expenses:					
Research and development	**16,271**	12,844	8,264	6,490	4,414
Sales and marketing	**38,457**	31,672	22,580	16,034	9,369
General and administrative	**22,804**	18,295	15,102	10,985	8,981
In-process research and development	**5,100**	–	–	–	–
Total operating expenses	**82,632**	62,811	45,946	33,509	22,764
Income from operations	**21,367**	14,668	8,259	5,979	4,678
Other income (expense), net	**1,746**	3,019	5,237	2,682	(153)
Income before provision for income taxes and minority interest	**23,113**	17,687	13,496	8,661	4,525
Provision for income taxes	**10,347**	5,105	4,764	3,331	2,130
Minority interest	**149**	148	(31)	–	–
Net income	**$ 12,617**	$ 12,434	$ 8,763	$ 5,330	$ 2,395
Basic net income per common share [1]	**$ 0.37**	$ 0.36	$ 0.26	$ 0.18	$ 0.09
Diluted net income per common share [1]	**$ 0.36**	$ 0.36	$ 0.26	$ 0.17	$ 0.09
Weighted average number of common shares used to compute basic net income per common share	**34,273**	34,126	33,520	30,216	25,754
Weighted average number of common shares used to compute diluted net income per common share	**34,716**	34,514	34,102	30,680	25,754

Consolidated Balance Sheet Data:	December 31,				
	1999	1998	1997	1996	1995
Cash and cash equivalents	**$ 12,140**	$ 6,343	$ 4,298	$ 1,975	$ 5,305
Working capital	**$ 57,213**	$ 46,129	$ 38,672	$ 35,829	$ 9,920
Total assets	**$ 148,117**	$ 107,670	$ 78,928	$ 66,190	$ 26,203
Total long-term liabilities, including current portion	**$ 16,871**	$ 7,065	$ 6,484	$ 7,108	$ 7,800
Total shareholders' equity	**$ 92,393**	$ 73,041	$ 53,951	$ 47,696	$ 12,208

[1] Computed on the basis described for net income per common share in Note 4 of the "Notes to Consolidated Financial Statements".

Management's Discussion and Analysis of Financial Condition and Results of Operations

THIS SECTION CONTAINS A NUMBER OF FORWARD-LOOKING STATEMENTS. THESE STATEMENTS ARE BASED ON CURRENT MANAGEMENT EXPECTATIONS, AND ACTUAL RESULTS MAY DIFFER MATERIALLY. AMONG THE FACTORS WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER FROM MANAGEMENT'S EXPECTATIONS ARE THOSE DESCRIBED IN "BUSINESS FACTORS" BELOW.

Overview

QIAGEN N.V. (the Company) believes that it is the world's leading provider of innovative enabling technologies and products for the separation and purification of nucleic acids based on the nature of its products and technologies and as supported by independent market studies. The Company was established to develop, manufacture and market a broad portfolio of proprietary technologies and products, which meet the needs of the academic and industrial research markets. QIAGEN's products enable customers to reliably and rapidly produce high purity nucleic acids without using hazardous reagents or expensive equipment.

In December of 1999, the Company completed the acquisition of Rapigene, Inc. (renamed QIAGEN Genomics, Inc.), a leader in the area of innovative, enabling technologies and services for single nucleotide polymorphism (SNP) analysis. In 1999, the Company also made several strategic equity investments in and alliances with businesses whose technologies are complementary to the Company's business.

Since 1994 the Company has had compound annual growth of approximately 43% in net sales and 58% in net income. Without the $5.1 million charge for purchased in-process research and development related to the acquisition of Rapigene, Inc., compound annual growth of net income would have been approximately 69%. To date, the Company has funded its growth through internally generated funds, debt, the private sale of equity, and through proceeds from the sale of securities to the public. In 1999, after the $5.1 million charge for purchased in-process research and development, the Company recorded $12.6 million of net income on $144.0 million of net sales.

Results of Operations

The following table sets forth certain income and expense items as a percentage of net sales for the periods indicated:

	1999	1998	1997
Net sales	**100.0%**	100.0%	100.0%
Cost of sales	**27.8**	29.7	27.0
Gross profit	**72.2**	70.3	73.0
Operating expenses:			
Research and development	**11.3**	11.7	11.1
Sales and marketing	**26.7**	28.7	30.4
General and administrative	**15.8**	16.6	20.4
In-process research and development	**3.5**	–	–
Total operating expenses	**57.3**	57.0	61.9
Income from operations	**14.9**	13.3	11.1
Other income	**1.2**	2.7	7.1
Income before provision for income taxes and minority interest	**16.1**	16.0	18.2
Provision for income taxes	**7.2**	4.6	6.4
Minority interest	**0.1**	0.1	–
Net income	**8.8%**	11.3%	11.8%

The 1999 percentages include the $5.1 million charge for purchased in-process research and development. Without this charge, income from operations would have been 18% and net income would have been 12%.

Fiscal Year Ended December 31, 1999 compared to 1998

Net Sales. In 1999, net sales increased 31% (or $33.8 million) to $144.0 million compared to $110.2 million in 1998. The majority of the Company's sales continue to be attributable to the Company's consumable products, which experienced strong growth worldwide during the year. Net sales in the United States increased 28% (or $16 million) to $73.4 million in 1999 from $57.4 million in 1998. Outside the United States, net sales increased 34% (or $17.7 million) to $70.5 million in 1999 from $52.8 million in 1998. Net sales within and outside of the United States increased principally due to increased unit sales of consumable and instrumentation products. Outside of the United States, net sales were also affected by the Company's Japanese subsidiary that continued the strong performance it demonstrated in 1998, its first year of operation. During 1999, QIAGEN K.K. reported an increase of 90% (or $6.9 million) to $14.6 million in net sales from $7.7 million in the prior year.

While sales of consumable products continue to increase, the Company continues to expect, as disclosed in previous filings, a slower rate of sales growth for the range of products designed for large-scale plasmid DNA applications as their market matures. The Company continually introduces new products in order to extend the life of its existing product lines as well as to address new market opportunities. During 1999, the Company released 24 new products. Most recently in the fourth quarter of 1999, five new products were released including systems to automate RNA purification on the BioRobot 9604, hardware to isolate genomic DNA on the BioRobot 9600, and both a protocol for magnetic isolation of proteins and a kit for Ni-NTA resin isolation of proteins on the BioRobot 3000. Additionally, the product line for the fast removal of dye-terminators from sequencing reactions was extended to address the high-throughput market, and QIAGEN's enzyme portfolio now includes a one-step method for doing RT-PCR reactions.

A significant portion of the Company's revenues is denominated in German marks. Compared to 1998, in 1999 the German mark, as measured by the average exchange rate for the period, depreciated against the U.S. dollar by 4.18%. If the same rates used for 1998 were applied to 1999, net sales in 1999 would have been higher and the related percentage growth would have been higher than the percentage calculated in reported net sales. See "Currency Fluctuations."

Gross Profit. Gross profit increased 34% in 1999 to $104.0 million or 72% of net sales for the year ended 1999 compared to $77.5 million or 70% of net sales in 1998. The absolute dollar increase is attributable to the increase in net sales. The increase in gross profit as a percentage of net sales primarily reflects improvements in inventory management and manufacturing processes offset by higher licensing fees associated with some of the Company's newer products. Also, increased sales of instrumentation products, such as the QIAGEN BioRobot, reduce the overall reported gross profit, as they carry a lower gross margin than the Company's consumable products. Following the 1999 addition to the Company's line of instrumentation products of the QIAGEN BioRobot 3000, a customized instrument tailor-made to the individual laboratory's application needs, the Company expects future increases in sales of instrumentation products in the molecular diagnostic and genomic markets.

As previously disclosed, the Company is continuing its efforts to improve inventory management and manufacturing processes through substantial investments in automated and interchangeable production equipment and integrated production planning systems at its German manufacturing facility. In addition, QIAGEN has successfully implemented GMP manufacturing capacities that will be principally utilized to manufacture products suitable for application in diagnostic procedures. Also during 1999, the Company evaluated the inventory management and manufacturing processes at QIAGEN Instruments AG (formerly Rosys AG), to take steps to improve cost control and efficiency.

Research and Development. During 1999, research and development expense increased 27% to $16.3 million (11% of net sales), up from $12.8 million (12% of net sales) in 1998. During the first quarter of 1999, construction was completed on a new research and development facility that carries higher operating costs than the former facility. This facility was expanded as of January 2000 and, as a result, research and development costs related to the facility are anticipated to be higher in 2000. Additionally, the increase in research and development expenses over the prior year are due to the increased personnel costs related to hiring of new research and development personnel.

At December 31, 1999, the Company employed 203 research and development personnel compared to 134 at December 31, 1998. The increase in research and development personnel along with the new facility demonstrates the Company's strong commitment to expanding research and development activities. The Company anticipates that absolute research and development expenses will continue to increase significantly.

Sales and Marketing. Sales and marketing expenses increased 21% in 1999 to $38.5 million (27% of net sales) from $31.7 million (29% of net sales) in 1998. The increase in sales and marketing expenses is primarily attributable to increases in costs associated with marketing materials, such as publications and promotional items, and personnel. During 1999, the Company increased its sales force by 23%. The Company anticipates that selling and marketing costs will continue to increase along with continued growth in sales of the Company's products.

General and Administrative. General and Administrative costs increased 25% in 1999 to $22.8 million (16% of net sales) from $18.3 million (17% of net sales) in 1998. This increase represents increased costs required to support the Company's administrative infrastructure which is growing to accommodate the Company's continued growth. The decrease in General and Administrative costs as a percent of sales is primarily due to economies of scale.

In-Process Research and Development. On December 31, 1999, the Company acquired Rapigene, Inc., subsequently renamed QIAGEN Genomics, Inc., in a transaction accounted for as a purchase. Independent appraisers utilizing proven valuation procedures and techniques categorized the purchase price identifying as a specific category purchased in-process research and development. The Company recorded a charge of $5.1 million for purchased in-process research and development in the fourth quarter of 1999. This charge represents the estimated fair value of the purchased in-process research and development based on risk-adjusted cash flows related to the in-process research and development projects. At the date of acquisition, the development of these projects had not yet reached technological feasibility and the research and development in progress had no alternative future use. Accordingly, the Company expensed these costs.

Other Income (Expense). Other income decreased to $1.7 million in 1999 from $3.0 million in 1998. This decease was mainly due to increased loss on equity method investments (primarily PreAnalytiX GmbH and QE Diagnostics GmbH) and decreased research and development grant income along with increased interest expense.

During the year, the Company entered into three equity investments in new start-up companies. A total of $637,000 was recorded as the equity loss from these investments. Given the newness of the ventures, the Company anticipates that these investments will continue to generate losses at least during the next two years. The Company intends to continue to make strategic investments in complementary businesses as the opportunities arise. Accordingly, the Company may continue to record losses on equity investments in start-up companies based on the Company's ownership interest in such companies.

The Company received a total of $1.1 million in 1999 for research and development grants from European and German state and federal government grants compared to $1.8 million in 1998. The Company's research and development activities are principally carried out in Germany, and the Company expects to continue to apply for such research and development grants in the future.

Interest expense increased to $1.3 million in 1999 compared to $1.0 million in 1998. This increase is primarily due to interest expense on the Company's new research and development facility, which carries higher principal and interest costs than the former facility alone. In January 2000, the Company began recording lease payments on the expansion of the research and development facility, and thus anticipates that lease related interest expense in 2000 will exceed 1999 amounts.

Interest income increased to $1.7 million in 1999 from $1.6 million in 1998. Interest income is derived mainly from the Company's investment of funds in investment grade, interest-bearing marketable securities. As of December 31, 1999, the Company had approximately $32.0 million invested in such securities.

Income from foreign currency transactions decreased to $420,000 in 1999 from $575,000 in 1998. Income from foreign currency transactions reflects net effects from conducting business in currencies other than the U.S. dollar. QIAGEN N.V.'s functional currency is the U.S. dollar and its subsidiaries' functional currencies are the German mark, the British pound, the Swiss franc, the French franc, the U.S. dollar, the Australian dollar, the Canadian dollar and the Japanese yen. See "Currency Fluctuations."

Other miscellaneous income increased to $336,000 in 1999 from $79,000 in 1998.

Provision for Income Taxes. The Company's effective tax rate increased to 45% in 1999 from 29% in 1998. The increase is primarily due to the lack of a tax benefit associated with the purchased in-process research and development charge recorded in 1999. Without the charge for the in-process research and development, the Company's effective tax rate would have been 37%. Additionally, the 1998 rate was lower due to certain realized tax benefits that lowered taxable income for several of the Company's foreign subsidiaries. Realized tax benefits were lower in 1999.

Minority Interest. The Company has a 60 percent interest in its Japanese subsidiary, QIAGEN K.K. and a 50 percent interest in Rosys Instruments, Inc. (Rosys, Inc.), a subsidiary of QIAGEN Instruments AG. The financial position and results of operations of these subsidiaries are included in the Company's consolidated financial statements. The Company's minority interest in income of QIAGEN K.K. and Rosys, Inc. increased to $149,000 in 1999 from $148,000 in 1998, as shown in the consolidated statements of income.

Fiscal Year Ended December 31, 1998 compared to 1997

Net Sales. Net sales increased 48% (or $36.0 million) to $110.2 million in 1998 compared to $74.3 million in 1997. Net sales in the United States increased 33% (or $14.1 million) to $57.4 million in 1998 from $43.3 million in 1997, and net sales outside the United States increased 70% (or $21.8 million) to $52.8 million in 1998 compared to $31.0 million in 1997. The increase in net sales in the United States was primarily driven by increased unit sales of consumable and instrumentation products. In addition to increased unit sales, increased net sales outside the United States also reflect the results of the Company's Japanese subsidiary, QIAGEN K.K., which began operations in January 1998. During 1998, QIAGEN K.K. contributed approximately $7.7 million to consolidated net sales. Further, the acquisition of Rosys Instruments AG in May 1998, which has since been renamed QIAGEN Instruments AG, contributed $7.8 million to the increase in net sales for 1998 compared to 1997. A material portion of the Company's sales continues to be attributable to the Company's range of products designed for large-scale plasmid DNA applications. While the Company generated increased sales of these products in 1998, QIAGEN expects a slower rate of sales growth for such products as their market matures. The Company continually introduces new products in order to extend the life of its existing product lines as well as to address new market opportunities. In 1998, the Company introduced more than 20 new products. The Company also experienced significant growth in unit sales of its instrumentation products in 1998. In 1998, the German mark, as measured by the average exchange rate for the year, depreciated against the U.S. dollar by 1.4% as compared to 1997. If the same rates used for 1997 were applied to 1998, net sales in 1998 would have been higher, and the growth of net sales would have exceeded the percentage calculated in reported net sales. See "Currency Fluctuations".

Gross Profit. Gross profit increased 43% to $77.5 million (70.3% of net sales) in 1998 from $54.2 million (73% of net sales) in 1997. The absolute dollar increase in gross profit is attributable to the increase in net sales. The decrease in gross profit as a percentage of net sales primarily reflects the acquisition of QIAGEN Instruments AG. The instrumentation products developed, produced and distributed by QIAGEN Instruments AG provide a lower gross profit. Excluding the effect of the acquisition, the Company's gross profit would have been $73.2 million or 71.4% of net sales. The Company anticipates that the sale of Rosys products will continue to affect gross profit in 1999. The decrease in gross profit is also the result of higher licensing fees associated with some of the Company's newer products. Further, increased sales of instrumentation products, such as the QIAGEN BioRobot, also contributed to the lower gross margin percentage, as they carry a lower gross margin than the Company's consumable products. Following the August 1998 introduction of the QIAGEN BioRobot 9604, designed for clinical laboratory use, the Company anticipates future increases in sales of instrumentation products.

Research and Development. Research and development expenses increased 55% to $12.8 million (11.7% of net sales) in 1998 from $8.3 million (11.1% of net sales) in 1997. The increased research and development expenditures reflects the Company's focus on discovering and developing new products and technologies to be used in the separation and purification of nucleic acids. These research and development costs primarily represent the personnel costs related to retaining employees for research and development efforts. At December 31, 1998, there were 145 employees dedicated to research and development activities, compared to 126 employees at December 31, 1997 (an increase of 15%). During the first quarter of 1999, construction was completed on a new research and development facility. The Company leases the facility, which carries a higher leasing cost than the former facility. The Company remains committed to these research and development efforts and anticipates that research and development expenses will continue to increase.

Sales and Marketing. Sales and marketing expenses increased 40% to $31.7 million (28.7% of net sales) in 1998 from $22.6 million (30.4% of net sales) in 1997. The increase in sales and marketing expenses reflects the Company's planned expansion of its sales force and advertising efforts in connection with the sale of its existing products and the introduction of new products. Such efforts contributed to the Company's growth in net sales during 1998. Increased sales and marketing costs are primarily associated with personnel, commissions, advertising, publications and other promotional items. Further, the sales and marketing expenses from the Company's Japanese subsidiary, which began operations in January 1998, contributed to the overall increase compared to 1997. As a percentage of net sales, sales and marketing expenses decreased, reflecting the Company's increasing economies of scale in this area.

General and Administrative. General and administrative expenses increased 21% to $18.3 million (16.6% of net sales) in 1998 from $15.1 million (20.3% of net sales) in 1997. The increase in general and administrative expenses is partially due to the acquisition of QIAGEN Instruments AG that contributed approximately $1.4 million to total consolidated general and administrative expenses. The Company's other subsidiaries experienced increased general and administrative costs related to growth of the Company's administrative infrastructure to accommodate increased sales. As a percentage of net sales, general and administrative costs decreased, representing economies of scale.

Other Income (Expense). Other income (expense) decreased to $3.0 million in 1998 compared to $5.2 million in 1997. The decrease was mainly attributable to decreased gains on foreign currency transactions, decreased interest income, decreased research and development grant income and increased interest expense.

Interest income decreased slightly to $1.6 million in 1998 from $1.7 million in 1997. Interest income is derived primarily from the Company's investment of funds, including primarily funds raised in its June 1996 public offering of stock, in investment grade, interest bearing marketable securities. At December 31, 1998, investments in marketable securities totaled $23.8 million.

Interest expense increased to $1.0 million in 1998 compared to $716,000 in 1997. The increase is partially due to increased interest expense on the Company's short-term borrowings. Short-term borrowings increased to approximately $6.8 million at December 31, 1998, from $2.3 million at December 31, 1997. These borrowings were used primarily for payment of the purchase price on a parcel of land purchased in February 1998.

Research and development grant income decreased slightly to $1.8 million in 1998 from $2.0 million in 1997. Research and development income came from German state and federal government grants as most of the Company's research and development activities are conducted in Germany. The Company anticipates continuing to apply for research and development grants in the future.

Income from foreign currency transactions decreased $1.9 million to $575,000 in 1998 compared to $2.5 million in 1997. Income from foreign currency transactions reflects net effects from conducting business in currencies other than the U.S. dollar. While the increase in value of the U.S. dollar had a negative effect on net sales translated from German marks and other currencies into U.S. dollars, the Company recorded income from foreign currency transactions and liabilities denominated in currencies other than the U.S. dollar, mainly the German mark. See "Currency Fluctuations."

Other miscellaneous income (expense) increased to income of $79,000 in 1998 from expenses of $180,000 in 1997.

Provision for Income Taxes. The Company's effective tax rate decreased to 29% in 1998 from 35% in 1997. The decrease is primarily due to certain realized tax benefits that lowered taxable income for several of the Company's foreign subsidiaries.

Minority Interest. The Company has a 60 percent interest in its Japanese subsidiary, QIAGEN K.K. and a 50 percent interest in Rosys Instruments, Inc. (Rosys, Inc.), a subsidiary of QIAGEN Instruments AG. The financial position and results of operations of these subsidiaries are included in the Company's consolidated financial statements. The Company's minority interest in income of QIAGEN K.K. and Rosys, Inc. increased to $148,000 in 1998 from a loss of $31,000 in 1997, as shown in the consolidated statements of income. The increase the Company's minority interest is primarily a result of QIAGEN K.K.'s beginning operations in January 1998.

Liquidity and Capital Resources

To date, the Company has funded its business primarily through internally generated funds, debt and the private and public sales of equity. For the year ended December 31, 1999 and 1998, the Company generated net cash from operating activities of approximately $26.2 million and $11.6 million, respectively. Cash provided by operating activities increased in 1999 over the prior year primarily due to increased net income before depreciation, amortization and the charge for in-process research and development as well as increases in accounts payable, accrued liabilities and taxes payable.

Cash used in investing activities increased to $23.7 million in 1999 compared to $11.7 million in 1998. This increase was mainly due to purchases of property and equipment in connection with the expansion of the Company's production operations and the completion of a new research and development facility in February of 1999. Additionally, the Company added $3.6 million to strategic investments in complementary technologies and businesses.

Financing activities provided $3.6 million in cash in 1999, an increase from the $1.8 million provided in 1998. This cash provided by financing is primarily due to proceeds from long-term debt and the issuance of common shares, as a result of the exercise of options under the Company's stock option plan, partially offset by principal payments on capital lease obligations and the repayment of short-term debt. The increase in long-term debt was partially to refinance a portion of the short-term debt to obtain more favorable interest rates.

As of December 31, 1999 and 1998, the Company had cash and cash equivalents of approximately $12.1 million and $6.3 million, respectively, and working capital of approximately $57.2 million and $46.1 million, respectively. As of December 31, 1999, the Company had marketable securities of approximately $32.0 million, which were purchased in part with proceeds from the Company's June 1996 initial public offering and also with cash from operations. At year-end, the Company had a $12.0 million note payable related to the acquisition of QIAGEN Genomics, Inc. The note was paid in January 2000. The Company has credit lines totaling approximately $6.4 million, of which all was available as of December 31, 1999. The Company also carries $4.4 million of long-term debt that consists primarily of a note payable, due in March 2009, at an interest rate subsidized by a German government-related institution, and capital lease obligations of $12.2 million due through 2018.

The Company believes that funds from operations, together with the proceeds from its public and private sales of equity, and uses of financing as needed, will be sufficient to fund the Company's planned operations during the coming year.

The functional currencies of the Company and its subsidiaries generally are their respective local currencies in accordance with Statement of Financial Accounting Standard No. 52 "Foreign Currency Translation". All amounts in the financial statements of entities whose functional currency is not the dollar are translated into dollar equivalents at exchange rates as follows: (1) assets and liabilities at period-end rates, (2) income statement accounts at average exchange rates for the period, and (3) components of shareholders' equity at historical rates. Translation gains or losses are recorded in shareholders' equity and transaction gains and losses are reflected in net income. The net gain on foreign currency transactions for 1999, 1998 and 1997, was $420,000, $575,000 and $2.5 million, respectively, and is included in other income.

Year 2000 Compliance

The Company’s Year 2000 Project Team had the responsibility to identify and remedy potential problems related to the Year 2000 Issue. All systems, functions and processes of central purchasing, production, facility management, finance, information technology and telecommunications, and the execution of all services were thoroughly tested and adapted to Year 2000 compatibility. Major suppliers, customers, financial institutions, parcel delivery services, telecommunication and utility providers, and other third parties were contacted regarding their Year 2000 readiness. The Year 2000 Project Team put a comprehensive program in place and overall, the remediation efforts were successful, as the Company’s operations transitioned into Year 2000 without interruption. Costs for the remediation efforts were not accumulated separately, as much of the cost was accounted for as part of normal operations. The Company had originally estimated that the total incremental costs for Year 2000 remediation would be approximately $200,000, and the actual costs are estimated to be approximately $50,000.

New European Currency

On January 1, 1999, several member countries of the European Union adopted the euro as the common legal currency. The conversion rates between the existing sovereign currencies (the legacy currencies) and the euro were fixed on that date. During the three-year transition period, the legacy currencies as well as the euro will be acceptable as legal tender. The Company has wholly-owned subsidiaries located in several of the participating countries.

The adoption of the euro may create technical as well as strategic challenges. The Company has been preparing for the introduction of the euro by assessing its information systems requirements. Further, the Company is in the process of developing and implementing solutions to address other issues presented by the introduction of the euro, such as the impact on currency risk, derivatives and other financial instruments; events of noncompliance by third parties; and implications on pricing and marketing strategies. The cost of these efforts is not expected to be material.

Because of the numerous uncertainties associated with the euro conversion, there can be no assurance that all problems will be foreseen and corrected or that the conversion to the euro will not have a material impact on the Company’s operations or financial condition. Additionally, the competitive impact from the introduction of the euro is not known at this time.

Business Factors

This report contains certain forward-looking statements that are subject to certain risks and uncertainties. These statements include statements regarding (i) the Company's ability to maintain its relationships with its customers and its broad range of products, (ii) the Company's ability to stay abreast of technological developments and to develop and introduce new products, (iii) the size, nature and development of the Company's markets and potential markets, (iv) the Company's ability to penetrate and expand these markets and trends in the demand for the Company's existing and new products, (v) the Company's ability to increase its production efficiency as a result of expansion in its production capacity and to manage growth and its international operations, (vi) the integration of strategic acquisitions and complementary business investments, (vii) variability of operating results and (viii) the Company's liquidity (including the effects of currency fluctuations). 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. The Company cautions 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 the Company's expansion of operations, including the acquisition of new companies; management of growth, international operations, and dependence on key personnel; intense competition; the variation in the Company's operating results; technological change; the Company's ability to develop and protect proprietary products and technologies and to enter into collaborative commercial relationships; the Company's future capital requirements; general economic conditions and capital market fluctuations; and uncertainties as to the extent of future government regulation of the Company's business. As a result, the Company's future development efforts involve a high degree of risk. For further information, refer to the more specific risks and uncertainties discussed throughout this Annual Report.

Quantitative and Qualitative Disclosure About Market Risk

The Company's market risk relates primarily to interest rate exposures on cash, marketable securities and borrowings and foreign currency exposures on intercompany transactions. The overall objective of the Company's risk management is to reduce the potential negative earnings affects from changes in interest and foreign exchange rates. Exposures are managed through operational methods and financial instruments. The Company does not use financial instruments for trading or other speculative purposes.

Currency Fluctuations. The Company operates on an international basis. A significant portion of its revenues and expenses are incurred in currencies other than the U.S. dollar. The German mark is the most significant such currency, with others including the British pound, Japanese yen, French franc, Swiss franc and Canadian and Australian dollars. Fluctuations in the value of the currencies in which the Company conducts its business relative to the U.S. dollar have caused and will continue to cause U.S. dollar translations of such currencies to vary from one period to another. Due to the number of currencies involved, the constantly changing currency exposures, and the potential substantial volatility of currency exchange rates, the Company cannot predict the effect of exchange rate fluctuations upon future operating results. However, because the Company has substantial expenses as well as revenues in each of its principal functional currencies, the exposure of its financial results to currency fluctuations is reduced. The Company seeks to mitigate what it believes to be a significant portion of the remaining risk through hedging transactions. In general terms, appreciation of the U.S. dollar against the Company's other foreign currencies, such as occurred in 1998 and 1999 with respect to the German mark, will decrease reported net sales. However, this impact normally will be at least partially offset in results of operations by gains or losses from foreign currency transactions.

Currency Hedging. In the ordinary course of business, the Company purchases foreign currency exchange options to manage potential losses from foreign currency exposures. These options give the Company the right, but not the obligation, to sell foreign currencies in exchange for U.S. dollars at predetermined exchange rates. The principle objective of such options is to minimize the risks and/or costs associated with global financial and operating activities. The Company does not utilize financial instruments for trading or other speculative purposes.

Interest Rate Risk. Interest income earned on the Company's investment portfolio is affected by changes in the relative levels of market interest rates. To mitigate adverse fluctuations in interest rates, most of the Company's investments are at fixed rates. The Company only invests in high-grade investment securities. To limit the potential impact of interest rate changes on borrowings, short and long-term debt is maintained at fixed rates. Borrowings against lines of credit are at variable interest rates. At December 31, 1999, no amounts were outstanding against the lines of credit. Because most investments and borrowings at December 31, 1999 were at fixed rates, a hypothetical adverse 10% movement in market interest rates would not have materially impacted the Company's financial statements.

Foreign Currency Exchange Rate Risk. The Company's principal production and manufacturing facility is located in Germany and intercompany sales of inventory expose the Company to foreign currency exchange rate risk. Intercompany sales of inventory are generally denominated in the local currency of the subsidiary purchasing the inventory in order to centralize foreign currency risk with the Company's German subsidiary. Payment for intercompany purchases of inventory is required within 30 days from invoice date. The delay between the date the German subsidiary records revenue and the date when the payment is received from the purchasing subsidiaries exposes the Company to foreign exchange risk. The exposure results primarily from those transactions between Germany and the U.S.

The foreign currency exchange rate risk is partially offset by transactions of the German subsidiary denominated in U.S. dollars. Hedging instruments include foreign currency put options that are purchased to protect the existing and/or anticipated receivables resulting from intercompany sales from Germany to the U.S. These options give the Company the right, but not the obligation, to sell foreign currencies in exchange for U.S. dollars at predetermined exchange rates. Management does not believe that the Company's exposure to foreign currency exchange rate risk is material.

QIAGEN N.V. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	1999	1998
Assets		
Current Assets:		
Cash and cash equivalents	**$ 12,140,000**	$ 6,343,000
Marketable securities	**32,020,000**	23,783,000
Notes receivable	**1,994,000**	892,000
Accounts receivable, net of allowance for doubtful accounts of $1,053,000 and $869,000 in 1999 and 1998, respectively	**20,148,000**	16,986,000
Income taxes receivable	**221,000**	160,000
Inventories	**22,498,000**	19,931,000
Prepaid expenses and other	**3,182,000**	2,986,000
Deferred income taxes	**4,928,000**	4,048,000
Total current assets	**97,131,000**	75,129,000
Property, plant and equipment, net	**37,974,000**	26,420,000
Intangible assets, net	**8,722,000**	4,591,000
Other assets	**4,290,000**	1,530,000
	$ 148,117,000	$ 107,670,000

The accompanying notes are an integral part of these consolidated balance sheets.

QIAGEN N.V. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	1999	1998
Liabilities and Shareholders' Equity		
Current Liabilities:		
Lines of credit	**$ –**	$ 720,000
Short-term debt	**4,819,000**	6,802,000
Current portion of long-term debt	**236,000**	279,000
Current portion of capital lease obligations	**1,098,000**	1,277,000
Note payable	**12,000,000**	–
Accounts payable	**10,468,000**	9,190,000
Accrued liabilities	**9,418,000**	6,987,000
Income taxes payable	**1,690,000**	2,769,000
Deferred income taxes	**189,000**	976,000
Total current liabilities	**39,918,000**	29,000,000
Long-Term Liabilities:		
Long-term debt, net of current portion	**4,119,000**	283,000
Capital lease obligations, net of current portion	**11,094,000**	5,046,000
Other	**324,000**	180,000
Total long-term liabilities	**15,537,000**	5,509,000
Minority interest in consolidated subsidiaries	**269,000**	120,000
Commitments and Contingencies (Note 15)		
Shareholders' Equity:		
Common shares, 0.01 EUR par value in 1999 and 0.03 NLG par value in 1998: Authorized–65,000,000 shares Issued and outstanding–34,397,638 shares in 1999 and 34,169,046 shares in 1998	**351,000**	596,000
Additional paid-in capital	**58,152,000**	49,005,000
Retained earnings	**38,458,000**	25,841,000
Accumulated other comprehensive income	**(4,568,000)**	(2,401,000)
Total shareholders' equity	**92,393,000**	73,041,000
	$ 148,117,000	$ 107,670,000

The accompanying notes are an integral part of these consolidated balance sheets.

QIAGEN N.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, 1999	1998	1997
Net sales	**$ 143,960,000**	$ 110,248,000	$ 74,274,000
Cost of sales	**39,961,000**	32,769,000	20,069,000
Gross profit	**103,999,000**	77,479,000	54,205,000
Operating Expenses:			
Research and development	**16,271,000**	12,844,000	8,264,000
Sales and marketing	**38,457,000**	31,672,000	22,580,000
General and administrative	**22,804,000**	18,295,000	15,102,000
In-process research and development	**5,100,000**	–	–
Total operating expenses	**82,632,000**	62,811,000	45,946,000
Income from operations	**21,367,000**	14,668,000	8,259,000
Other Income (Expense):			
Interest income	**1,679,000**	1,575,000	1,651,000
Interest expense	**(1,306,000)**	(1,021,000)	(716,000)
Research and development grants	**1,116,000**	1,811,000	1,990,000
Sale of patents	**138,000**	–	–
Gain on foreign currency transactions, net	**420,000**	575,000	2,492,000
Loss from equity method investee	**(637,000)**	–	–
Other miscellaneous income (expense), net	**336,000**	79,000	(180,000)
Total other income	**1,746,000**	3,019,000	5,237,000
Income before provision for income taxes and minority interest	**23,113,000**	17,687,000	13,496,000
Provision for income taxes	**10,347,000**	5,105,000	4,764,000
Minority interest	**149,000**	148,000	(31,000)
Net income	**$ 12,617,000**	$ 12,434,000	$ 8,763,000
Basic net income per common share	**$ 0.37**	$ 0.36	$ 0.26
Diluted net income per common share	**$ 0.36**	$ 0.36	$ 0.26

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

QIAGEN N.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Common Shares		Additional Paid-In Capital	Retained Earnings	Notes Receivable from Sale of Shares	Accumulated Other Comprehensive Income	Total
	Shares	Amount					
BALANCE AT DECEMBER 31, 1996	**33,481,000**	**$ 586,000**	**$ 40,350,000**	**$ 7,795,000**	**$ (1,729,000)**	**$ 694,000**	**$ 47,696,000**
Net income	–	–	–	8,763,000	–	–	8,763,000
Translation adjustment	–	–	–	–	–	(5,169,000)	(5,169,000)
Comprehensive income	–	–	–	–	–	–	3,594,000
Shares issued in exchange for patents	2,000	–	32,000	–	–	–	32,000
Exercise of stock options	71,784	2,000	334,000	–	–	–	336,000
Repayment of notes receivable from sale of shares	–	–	–	–	1,729,000	–	1,729,000
Tax benefit in connection with nonqualified stock options	–	–	564,000	–	–	–	564,000
BALANCE AT DECEMBER 31, 1997	**33,554,784**	**588,000**	**41,280,000**	**16,558,000**	**–**	**(4,475,000)**	**53,951,000**
Net income	–	–	–	12,434,000	–	–	12,434,000
Unrealized loss, net on marketable securities	–	–	–	–	–	(160,000)	(160,000)
Translation adjustment	–	–	–	–	–	2,234,000	2,234,000
Comprehensive income	–	–	–	–	–	–	14,508,000
Exercise of stock options	115,022	2,000	933,000	–	–	–	935,000
Acquisition of QIAGEN Instruments AG	499,240	6,000	3,999,000	(3,151,000)	–	–	854,000
Tax benefit in connection with nonqualified stock options	–	–	2,793,000	–	–	–	2,793,000
BALANCE AT DECEMBER 31, 1998	**34,169,046**	**596,000**	**49,005,000**	**25,841,000**	**–**	**(2,401,000)**	**73,041,000**
Net income	–	–	–	12,617,000	–	–	12,617,000
Unrealized loss, net on marketable securities	–	–	–	–	–	(7,000)	(7,000)
Translation adjustment	–	–	–	–	–	(2,160,000)	(2,160,000)
Comprehensive income	–	–	–	–	–	–	10,450,000
Conversion of par value to 0.01 EUR	–	(248,000)	248,000	–	–	–	–
Exercise of stock options	228,592	3,000	2,662,000	–	–	–	2,665,000
Tax benefit in connection with nonqualified stock options	–	–	6,237,000	–	–	–	6,237,000
BALANCE AT DECEMBER 31, 1999	**34,397,638**	**$ 351,000**	**$ 58,152,000**	**$ 38,458,000**	**$ –**	**$ (4,568,000)**	**$ 92,393,000**

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

QIAGEN N.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	1999	1998	1997
Cash Flows from Operating Activities			
Net income	**$ 12,617,000**	$ 12,434,000	$ 8,763,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**7,831,000**	5,776,000	4,925,000
In-Process research and development	**5,100,000**	–	–
Provision for losses on accounts receivable	**368,000**	276,000	358,000
Deferred income taxes	**(1,532,000)**	(1,008,000)	(922,000)
(Gain) loss on disposition of property and equipment	**(29,000)**	75,000	15,000
Loss on sale of marketable securities	**11,000**	80,000	47,000
Loss on equity method investee	**637,000**	–	–
Minority interest	**149,000**	148,000	(31,000)
Net changes in operating assets and liabilities net of aquisition:			
Accounts receivable	**(4,178,000)**	(4,167,000)	(4,695,000)
Notes receivable	**(909,000)**	(790,000)	–
Inventories	**(3,698,000)**	(3,176,000)	(6,000,000)
Income taxes receivable	**(210,000)**	(710,000)	437,000
Prepaid expenses and other	**(359,000)**	153,000	(640,000)
Other assets	**50,000**	(127,000)	(73,000)
Increase (decrease) in:			
Accounts payable	**1,905,000**	(1,389,000)	1,781,000
Accrued liabilities	**3,193,000**	1,500,000	2,005,000
Income taxes payable	**5,230,000**	2,495,000	2,484,000
Net cash provided by operating activities	**26,176,000**	11,570,000	8,454,000

Cash Flows From Investing Activities			
Purchases of property and equipment	**(11,811,000)**	(10,515,000)	(6,758,000)
Proceeds from sale of property and equipment	**98,000**	28,000	27,000
Purchases of intangible assets	**(32,000)**	(2,825,000)	(1,054,000)
Purchases of investments	**(3,618,000)**	(457,000)	(289,000)
Purchases of marketable securities	**(37,173,000)**	(19,950,000)	(10,229,000)
Sales of marketable securities	**28,808,000**	21,758,000	12,448,000
Other	**–**	263,000	–
Net cash used in investing activities	**(23,728,000)**	(11,698,000)	(5,855,000)

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

	Years Ended December 31,		
	1999	1998	1997
Cash Flows from Financing Activities			
Increase (decrease) in lines of credit	**(655,000)**	(1,639,000)	1,767,000
Proceeds from short-term debt	**14,000**	6,467,000	2,396,000
Repayment of short-term debt	**(1,099,000)**	(2,454,000)	(1,820,000)
Principal payments on capital leases	**(1,430,000)**	(1,199,000)	(1,022,000)
Proceeds from long-term debt	**4,363,000**	–	59,000
Repayment of long-term debt	**(263,000)**	(268,000)	(397,000)
Proceeds from shareholder loans	**–**	–	1,472,000
Issuance of common shares	**2,665,000**	935,000	749,000
Net cash provided by financing activities	**3,595,000**	1,842,000	3,204,000
Effect of exchange rate changes on cash and cash equivalents	**(246,000)**	331,000	(3,480,000)
Net increase in cash and cash equivalents	**5,797,000**	2,045,000	2,323,000
Cash and cash equivalents, beginning of year	**6,343,000**	4,298,000	1,975,000
Cash and cash equivalents, end of year	**$ 12,140,000**	$ 6,343,000	$ 4,298,000

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

QIAGEN N.V. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999

1. Description of Business

QIAGEN N.V. and Subsidiaries (the Company) operates exclusively in the life sciences industry developing, producing and distributing biotechnology products, primarily for the separation and purification of nucleic acids (DNA/RNA). The Company's products are used in biological research by universities and research institutions as well as in genome sequencing, diagnostic and therapeutic industries. At December 31, 1999, the Company consists of the Netherlands parent company (QIAGEN N.V.) and its wholly-owned subsidiaries, QIAGEN GmbH in Hilden, Germany; QIAGEN Inc. in Valencia, California, United States; QIAGEN Ltd. in Crawley, England; QIAGEN AG in Basel, Switzerland; QIAGEN S.A. in Courtaboeuf Cedex, France; QIAGEN Pty. Ltd. in Clifton Hill, Australia; QIAGEN Inc. in Mississauga, Canada; QIAGEN Instruments AG (formerly Rosys AG) in Hombrechtikon, Switzerland, and QIAGEN Genomics, Inc. (formerly Rapigene, Inc.) in Bothell, Washington, United States. The Company also has a 60 percent interest in QIAGEN K.K. in Tokyo, Japan and a 50 percent interest in Rosys Inc., a subsidiary of QIAGEN Instruments AG, in New Castle, Delaware, United States.

The Company's products are sold throughout the world, primarily in the United States and in Europe. Similar to most companies in this line of business, the Company's products are subject to rapid technological change. Because of these technological changes, the Company needs to continuously expend resources toward research and development.

2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The accompanying consolidated financial statements were prepared in conformity with United States generally accepted accounting principles (GAAP) and include the accounts of the Company and its wholly and majority owned subsidiaries, after elimination of all significant intercompany accounts and transactions.

b. Use of Estimates

The preparation of financial statements in conformity with United States GAAP 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.

Certain balances have been reclassified to conform to the current year presentation.

c. 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.

d. Marketable Securities

The Company accounts for marketable securities in accordance with Statement of Financial Accounting Standard (SFAS) No. 115 "Accounting for Certain Investments in Debt and Equity Securities." All investments are classified as available-for-sale and are stated at fair value. Changes in market values are reflected as unrealized gains and losses, calculated on the specific identification method, directly in shareholders' equity within accumulated other comprehensive income. Interest income is accrued when earned.

e. Credit Risk

The Company's accounts receivable are unsecured and the Company is at risk to the extent such amounts become uncollectible. As of December 31, 1999 and 1998, no single customer represented more than ten percent of accounts receivable. For the years ended December 31, 1999, 1998 and 1997, no single customer represented more than ten percent of consolidated net sales.

f. Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist of materials, labor and overhead.

The components of inventories consist of the following as of December 31, 1999 and 1998:

	1999	1998
Raw materials	$ 7,053,000	$ 6,596,000
Work in process	5,887,000	2,997,000
Finished goods	9,558,000	10,338,000
Total inventories	$ 22,498,000	$ 19,931,000

g. Property, Plant and Equipment

Property, plant and equipment are stated at cost and are summarized as follows as of December 31, 1999 and 1998:

	1999	1998
Land and buildings	$ 18,031,000	$ 12,372,000
Machinery and equipment	15,297,000	14,475,000
Computer software	4,463,000	3,963,000
Furniture and office equipment	14,369,000	9,363,000
Leasehold improvements	2,704,000	2,183,000
Construction in progress	4,618,000	1,259,000
	59,482,000	43,615,000
Less: Accumulated depreciation and amortization	(21,508,000)	(17,195,00)
Property, plant and equipment, net	$ 37,974,000	$ 26,420,000

Depreciation is computed using the straight-line and declining balance methods over the following estimated useful lives: buildings for ten to twenty-five years; machinery and equipment for three to seven years; computer software for one to five years; furniture and office equipment for three to ten years; and leasehold improvements are computed on a straight-line basis over the lesser of the life of the lease or the estimated useful life.

The Company follows the policy of capitalizing expenditures that materially increase asset lives and charging ordinary maintenance and repairs to operations as incurred. When property or equipment are disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any gain or loss is included in operations. Repairs and maintenance expense was $1,366,000, $532,000 and $745,000 in fiscal years 1999, 1998 and 1997, respectively.

h. Revenue Recognition

The Company recognizes revenue from consumables when products are shipped. Revenue from instrumentation equipment is not recognized until title passes to the customer, either upon shipment or customer acceptance. Revenue from service contracts is deferred and recognized over the term of the contract.

i. Statements of Cash Flows

Non-cash investing and financing activities, which are excluded from the consolidated statements of cash flows, are as follows:

	1999	1998	1997
Equipment purchased through capital leases	**$ 8,525,000**	$ 1,594,000	$ 1,680,000
Shares issued for patents	–	–	$ 32,000
Tax benefits related to stock options	**$ 6,237,000**	$ 2,793,000	$ 564,000

In connection with the acquisition of Rapigene, Inc., a note payable of $12.0 million was issued to cover the cost of the fair value of assets acquired and liabilities assumed and incurred which totaled $12,581,000 and $581,000, respectively. Cash paid for interest was $1,873,000, $1,110,000 and $1,071,000 in 1999, 1998 and 1997, respectively. Cash paid for income taxes was $6,098,000, $4,044,000 and $2,300,000 in 1999, 1998 and 1997, respectively.

j. Foreign Currency Translation

The Company's reporting currency is the United States dollar. The subsidiaries' functional currencies are the German mark, the United States dollar, the British pound, the Swiss franc, the French franc, the Australian dollar, the Canadian dollar and the Japanese yen.

Balance sheets prepared in their functional currencies are translated to the reporting currency, the United States dollar, at exchange rates in effect at the end of the accounting period except for shareholders' equity accounts which are translated at rates in effect when these balances were originally recorded. Revenue and expense accounts are translated at a weighted average of exchange rates during the period. The cumulative effect of translation is included in accumulated other comprehensive income in the accompanying consolidated balance sheets.

k. Warranty

The Company warrants its products against defects in materials and workmanship for a period of one year. A provision for estimated future warranty is recorded when consumables are shipped and when title on instrumentation equipment passes to the customer.

l. Fair Value of Financial Instruments

The carrying value of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short maturities of those instruments. The carrying value of the Company's debt and capital leases approximate their fair values because of the short maturities and/or interest rates which are comparable to those available to the Company on similar terms.

m. Financial Instruments

In the ordinary course of business, the Company purchases foreign currency exchange options to manage potential losses from foreign currency exposures. These options give the Company the right, but not the requirement, to sell foreign currencies in exchange for U.S. dollars at predetermined exchange rates. The principal objective of such options is to minimize the risks and/or costs associated with global financial and operating activities.

The Company does not utilize financial instruments for trading or other speculative purposes. Premiums to purchase foreign exchange options are recorded as prepaid assets and amortized over the life of the option or immediately if the option is exercised. Amortization is included in other expense.

At December 31, 1999 and 1998, the Company had options outstanding to purchase German marks of $12.3 million and $8.1 million, respectively. At December 31, 1999 the options, which expire at various dates through June 2000, had a fair market value or approximately $1,000. At December 31, 1998 the options had a fair market value of approximately $30,000 and expired at various dates through May 1999.

n. Authoritative Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Under the statement, every derivative is recorded on the balance sheet as either an asset or liability measured at its fair value. Changes in the derivative's fair value will be recognized in earnings unless specific hedge accounting criteria are met. SFAS No. 137 amended the statement to delay the effective date. The Company will adopt this standard on January 1, 2001, and is currently analyzing the statement to determine the impact, if any, on the Company's financial position or results of operations.

3. Stock Split and Par Value Currency Conversion

On June 18, 1999, the shareholders of the Company approved the amendment of the Company's Articles of Association to increase the number of authorized shares of common stock from 32.5 million to 65 million, which was required to effect a two-for-one stock split that the Company's Board of Supervisory Directors and Managing Board approved in May 1999. Common shareholders of record on July 2, 1999 received one additional share for each share held on that date. The additional shares were distributed and the stock split was effective on July 16, 1999. Additionally, the Articles of Association were amended to convert the par value of the common shares from 0.03 NLG to 0.01 EUR.

To reflect the conversion of the par value from 0.03 NLG to 0.01 EUR, common stock was decreased and additional paid-in capital was increased by $248,000.

All share data and per share amounts presented have been restated to reflect the two-for-one stock split.

4. Net Income per Common Share

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

	1999	1998	1997
Weighted average number of common shares used to compute basic net income per common share	**34,273,000**	34,126,000	33,520,000
Dilutive effect of stock options	**443,000**	388,000	582,000
Weighted average number of common shares used to compute diluted net income per common share	**34,716,000**	34,514,000	34,102,000

For the years ended December 31, 1999, 1998 and 1997, stock options to purchase 108,000, 214,000 and 94,000 shares, respectively, were excluded from the dilutive effect of stock options as such options were antidilutive.

5. Acquisitions

On December 31, 1999, QIAGEN N.V. completed the acquisition of the shares of Rapigene, Inc., an indirect wholly owned subsidiary of Celltech Group plc. This acquisition was made by issuing a $12.0 million note payable, which was subsequently paid in January 2000. The acquired company, renamed QIAGEN Genomics, Inc., is a leader in the area of innovative, enabling technologies and services for single nucleotide polymorphism (SNP) analyses as well as other genomic applications. The acquisition, accounted for as a purchase under Accounting Principles Board (APB) Opinion No. 16, included the purchase of all of the stock of Rapigene, Inc. which, including acquisition costs, resulted in a total purchase price of $12.1 million. A portion of the purchase price has been allocated to the assets acquired and liabilities assumed based on the estimated fair market value at December 31, 1999. Independent appraisers utilizing proven valuation procedures and techniques identified portions of the purchase price, including intangible assets. These intangible assets include acquired in-process research and development, developed technology and know-how, and goodwill. As a result of the appraisal, $3.2 million was allocated to developed technology and know how and approximately $1.6 million was allocated to goodwill to be amortized over seven and 10 years, respectively. A charge of $5.1 million for purchased in-process research and development was included in the Company's fourth quarter results. This charge represents the estimated fair value based on risk-adjusted cash flows related to the in-process research and development projects. At the date of acquisition, the development of these projects had not yet reached technological feasibility and the research and development in progress had no alternative future uses. Accordingly, these costs were expensed in the fourth quarter of 1999. The purchase price allocation is preliminary and further refinements are likely to be made at a later date. The results of operations of the acquired company are included in the consolidated results for the Company from the date of acquisition.

The following unaudited pro forma consolidated data summarize the operations for the periods indicated as if the acquisition had been completed on January 1, 1998. The pro forma data excludes the $5.1 million for purchased in-process research and development. These pro forma amounts are intended for informational purposes only and are not necessarily indicative of the results of operations that would have occurred had the purchase been made at the beginning of the periods presented or the future results of the combined operations.

	Years ended December 31,	
	1999	1998
Net Sales	**$ 144,417,000**	$ 110,568,000
Net Income	**$ 14,150,000**	$ 9,667,000
Basic Earnings per Share	**$ 0.41**	$ 0.28
Diluted Earnings per Share	**$ 0.41**	$ 0.28

On May 28, 1998, QIAGEN N.V. acquired 100 percent of the shares of Rosys Instruments AG (Rosys) (a corporation located in Hombrechtikon, Switzerland) in a transaction that was accounted for as a pooling of interests. Rosys, founded in 1990, develops, produces and markets innovative liquid handling robotic systems. Rosys has been an OEM supplier of instrumentation products and robotics technologies for QIAGEN's BioRobot product lines since 1994. Rosys' robotic systems combine flexible multi-channel pipetting with transport of microtiter plates and other devices to provide reliable tube-to-plate and plate-to-plate transfer for a wide variety of applications. Rosys has a 50 percent interest in Rosys Inc., a distributor of the Rosys robotic systems, located in New Castle, Delaware. Essentially all of Rosys Inc.'s sales are derived from Rosys products. The Company issued 249,620 pre-split common shares in exchange for all outstanding shares of Rosys. Rosys has since been renamed QIAGEN Instruments AG. The accompanying consolidated financial statements and footnotes include the financial position and results of operations of the acquired company.

6. Comprehensive Income

On January 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 requires that comprehensive income, which is the total of net income and all other non-owner changes in equity, be displayed in the financial statements. The adoption of SFAS No. 130 had no impact on total shareholders' equity. The components of the Company's comprehensive income as presented in the Consolidated Statements of Shareholders' Equity and Comprehensive Income include net income, unrealized gains and losses from foreign currency translation, and unrealized gains and losses from available-for-sale marketable securities. Prior year financial statements have been reclassified to conform to SFAS No. 130 requirements.

7. Marketable Securities

At December 31, 1999 and 1998 all of the Company's investments are classified as current, as the Company's plan is generally not to hold its investments until maturity to take advantage of market conditions.

The contractual maturities of corporate debt securities at December 31, 1999 are as follows:

Maturities in:	Cost	Fair Value
Within one year	$ 3,849,000	$ 3,849,000
One to five years	10,301,000	10,188,000
Five to ten years	16,537,000	16,498,000
Over ten years	1,500,000	1,485,000
	$ 32,187,000	$ 32,020,000

Marketable securities maturing within one year consist of commercial paper and corporate securities. Marketable securities maturing after one year consist of corporate securities. At December 31, 1999, the Company recognized unrealized losses of $154,000 and unrealized gains of $136,000. At December 31, 1998, the Company recognized unrealized losses of $160,000. Unrealized losses, net of any realized amounts are included in other comprehensive income.

For the years ended December 31, 1999, 1998 and 1997, proceeds from sales of available-for-sale securities totaled $28.8 million, $21.8 million and $12.4 million, respectively, and gross realized losses calculated on the specific identification method, totaled $11,000, $80,000 and $47,000, respectively.

8. Investments

In November of 1999, QIAGEN AG entered a joint venture agreement for the formation of PreAnalytiX to develop, manufacture and market integrated systems for the collection, stabilization and purification of nucleic acids for molecular diagnostic testing. QIAGEN AG has a 50 percent interest (CHF 1,504,800, approximately $945,000) which is accounted for under the equity method. At December 31, 1999, QIAGEN GmbH had receivables from PreAnalytiX in the amount of $288,000.

In November of 1999, the Company acquired a 12.4 percent interest (CAD 250,000, approximately $171,000) in ENPharma L.P. a limited partnership established to license, market and develop intellectual property. As the investment in the limited partnership exceeds 3 percent, it is accounted for under the equity method.

In June of 1999, the Company acquired 15.6 percent of the voting rights of Zeptosens AG for $1.7 million. Zeptosens is focused on developing and commercializing bioanalytical technologies for use in life sciences as well as in food and environmental analysis. The investment is accounted for under the cost method.

On September 23, 1998, the Company acquired a five percent investment in Ingenium Biopharmaceuticals AG by purchasing 1,053 common shares for $443,000. The investment is accounted for under the cost method.

In 1998, QIAGEN GmbH entered a joint venture agreement for the formation of QE-Diagnostiksysteme GmbH, a company that will focus on developing and providing enabling technologies for the molecular diagnostic industry. At December 31, 1999, QIAGEN GmbH had a 50 percent interest (DM 500,000, approximately $257,000) which is accounted for under the equity method. QE-Diagnostiksysteme began operations during 1999.

On March 20, 1997, the Company sold certain research and licensing agreements valued at $500,000 to a newly founded company, Coley Pharmceutical Group, Inc. (Coley) (formerly CpG ImmunoPharmaceuticals, Inc.), for 2,040 shares of its preferred stock. In June of 1999, the Company invested an additional $499,000 for another 1.4 percent interest, bringing the Company's total interest to 11.7 percent. Other shareholders of Coley include other significant shareholders of the Company. At December 31, 1998, the Company had receivables from Coley in the amount of $79,000. There was no amount receivable at December 31, 1999. The investment is accounted for under the cost method.

On October 10, 1997, the Company purchased a four-percent investment in another start-up company, Genome Pharmaceuticals Corporation AG (GPC), for $290,000. GPC completed a round of financing during the second quarter of 1999 that diluted the Company's interest to 2.67 percent. The investment is accounted for under the cost method.

These investments are included in other assets in the accompanying consolidated balance sheets.

9. Intangible Assets

The Company recorded identified intangible assets in connection with the purchase of Rapigene, Inc. These intangible assets which were capitalized at December 31, 1999 include developed technology and know-how, and goodwill. Based on the appraisal, $3.2 million was allocated to developed technology and know how and approximately $1.6 million was allocated to goodwill to be amortized over seven and 10 years, respectively.

In connection with its formation, QIAGEN K.K. (the Company's 60 percent owned subsidiary in Japan), entered into a business transfer agreement with its minority shareholder. Pursuant to the agreement, the minority shareholder agreed to transfer to QIAGEN K.K. certain intangible assets, such as certain "know-how" and marketing information relating to the sale of the Company's products, in exchange for 330 million Japanese Yen (approximately $3.2 million at December 31, 1999). The Company made the payment of 330 million Japanese Yen on August 31, 1998, and capitalized the intangible assets which are being amortized over seven years. During 1999, the Company recorded amortization expense relating to these intangible assets of approximately $415,000.

In February 1998, the Company purchased patent and licensing rights from a research corporation (Coley) for approximately $259,000.

In October and November 1997, the Company entered into two agreements with two separate research corporations for the Company to purchase certain patents and licensing rights for approximately $100,000 and $862,000, respectively.

Also in 1997, the Company entered into an agreement with two separate universities to purchase certain patents and licensing rights for approximately $52,000 and $92,000, respectively.

All patents and licensing rights are being amortized over periods of five to seven years. The Company recognized amortization expense relating to patents and licensing rights of $384,000, $343,000 and $133,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

10. Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109. Under SFAS 109, deferred income tax assets or liabilities are computed based on the temporary difference between the financial statement and income tax bases of assets and liabilities using the enacted marginal income tax rate in effect for the year in which the differences are expected to reverse. Deferred income tax expenses or credits are based on the changes in the deferred income tax assets or liabilities from period to period.

The Company has recorded a net deferred tax asset of $4,739,000 at December 31, 1999. Realization is dependent on generating sufficient taxable income in the future. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset will be realized.

The components of the net deferred tax asset at December 31, 1999 and 1998 are as follows:

	1999	1998
Deferred tax asset:		
Allowance for bad debts	$ 259,000	$ 198,000
Commission accrual	215,000	–
Vacation accrual	164,000	92,000
Warranty accrual	93,000	171,000
Accrued liabilities	409,000	56,000
Net operating loss carryforward	502,000	1,139,000
Inventories	2,791,000	2,385,000
United States state income taxes	240,000	156,000
Capital leases	371,000	335,000
Other	255,000	2,000
	5,299,000	4,534,000
Deferred tax liability:		
Depreciation	–	(73,000)
Inventory	(269,000)	(888,000)
Accrued liabilities	(183,000)	(62,000)
Intangibles	(77,000)	(234,000)
Other	(31,000)	(135,000)
	(560,000)	(1,392,000)
Net deferred tax asset	$ 4,739,000	$ 3,142,000

As of December 31, 1999 and 1998, approximately $500,000 and $1.0 million of the net operating loss carryforward, respectively, is a result of the merger with Rosys and will expire in the years 2000 through 2004.

The provisions for income taxes for the years ended December 31, 1999, 1998 and 1997 are as follows:

		Years Ended December 31,		
		1999	1998	1997
Current	- United States federal taxes	$ 4,335,000	$ 2,700,000	$ 1,666,000
	- United States state taxes	1,059,000	705,000	447,000
	- Non-United States taxes	6,558,000	2,740,000	3,504,000
		11,952,000	6,145,000	5,617,000
Deferred	- United States federal taxes	(418,000)	(138,000)	(313,000)
	- United States state taxes	(77,000)	(37,000)	(81,000)
	- Non-United States taxes	(1,110,000)	(865,000)	(459,000)
		(1,605,000)	(1,040,000)	(853,000)
Total provision for income taxes		$ 10,347,000	$ 5,105,000	$ 4,764,000

Differences between the provision for income taxes and income taxes at the United States statutory federal income tax rate for the years ended December 31, 1999, 1998 and 1997 are as follows:

	Years Ended December 31,					
	1999		1998		1997	
	Amount	**Percent**	Amount	Percent	Amount	Percent
Income taxes at United States statutory federal rate	**$ 7,858,000**	**34.0%**	$ 6,014,000	34.0%	$ 4,589,000	34.0%
United States state income taxes, net of federal income tax effect	**398,000**	**1.7%**	449,000	2.6%	237,000	1.8%
Non-United States taxes at rates greater than (less than) United States statutory federal rate	**111,000**	**0.5%**	(1,381,000)	(7.8%)	(170,000)	(1.3%)
Nondeductible purchased in-process research & development	**2,008,000**	**8.7%**	–	–	–	–
Other items, net	**(28,000)**	**(0.1%)**	23,000	0.1%	108,000	0.8%
Total provision for income taxes	**$ 10,347,000**	**44.8%**	$ 5,105,000	28.9%	$ 4,764,000	35.3%

The effective tax rate for 1999 is higher due to the lack of tax benefit associated with the in-process research and development charge related to the acquisition of QIAGEN Genomics, Inc.

11. Accrued Liabilities

Accrued liabilities at December 31, 1999 and 1998 consist of the following:

	1999	1998
Payroll and related accruals	**$ 2,352,000**	$ 1,814,000
Management bonuses	**231,000**	240,000
Warranty	**519,000**	495,000
Unbilled services	**2,144,000**	1,839,000
Sales and other taxes	**682,000**	619,000
Deferred revenue	**188,000**	280,000
Royalties	**2,865,000**	973,000
Rent contract	**195,000**	234,000
Other	**242,000**	493,000
Total accrued liabilities	**$ 9,418,000**	$ 6,987,000

12. Lines of Credit and Debt

The Company has five separate lines of credit amounting to DM 12,500,000 (approximately $6.4 million) with interest rates ranging from 6.0 percent to 6.75 percent. These lines of credit may be called without notice, and the availability of total credit is reduced by approximately $305,000 due to guarantees made by a bank against one of the credit facilities. At December 31, 1999, the Company had one short-term bank loan of approximately $4.8 million due in March 2000 at an interest rate of 4.45 percent and a note payable related to the acquisition of Rapigene, Inc. of $12.0 million which was subsequently paid in January 2000. Interest expense on short-term borrowings was $324,000, $560,000 and $312,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

	1999	1998
Notes Payable:		
6.75% note due in semi-annual payments of DM 229,000 (approximately $118,000 at December 31, 1999) with a final payment due in December 2000.	**$ 236,000**	$ 549,000
7.25% note with interest and principal due monthly	**–**	13,000
3.75% note due in semi-annual payments of DM 500,000 (approximately $257,000 at December 31, 1999) beginning in September 2001 with a final payment due in March 2009	**4,119,000**	–
Total long-term debt	**4,355,000**	562,000
Less current portion	**236,000**	279,000
Long-term portion of long-term debt	**$ 4,119,000**	$ 283,000

Future principal maturities of long-term debt as of December 31, 1999 are as follows:

Year ending December 31,	
2000	**$ 236,000**
2001	**257,000**
2002	**515,000**
2003	**515,000**
2004	**515,000**
Thereafter	**2,317,000**
	$ 4,355,000

Interest expense on long-term debt was $127,000, $48,000 and $67,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

13. Segment and Related Information

The Company operates exclusively in the life sciences industry generating revenue from the sale of products and services for the separation and purification of nucleic acids. Reportable segments are based on the geographic locations of the subsidiaries and have been aggregated where below the quantitative thresholds.

The Company's reportable segments include the Company's production and manufacturing facility in Germany, subsidiaries in the United States and the United Kingdom and Other Countries (consisting of the Company's subsidiaries in Switzerland, Canada, France, Australia, and Japan). The Company's holding company is located in the Netherlands.

The Company evaluates performance based on several factors, of which the primary financial measure is operating income. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2 of the Notes to Consolidated Financial Statements.

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

		1999	1998	1997
Net Sales				
	Germany	**$ 79,603,000**	$ 62,371,000	$ 47,687,000
	United States	**75,823,000**	59,353,000	44,137,000
	United Kingdom	**10,051,000**	8,534,000	6,180,000
	Other Countries	**40,149,000**	30,512,000	8,437,000
	Subtotal	**205,626,000**	160,770,000	106,441,000
	Intersegment Elimination	**(61,666,000)**	(50,522,000)	(32,167,000)
	Total	**$ 143,960,000**	$ 110,248,000	$ 74,274,000

Net sales are attributed to countries based on the location of the Company's subsidiary. During 1999, 1998 and 1997, no single customer represented more than ten percent of consolidated net sales. United States export sales did not exceed ten percent of consolidated net sales during fiscal 1999, 1998 or 1997

		1999	1998	1997
Intersegment Sales				
	Germany	**$ (54,932,000)**	$ (41,479,000)	$ (29,283,000)
	United States	**(2,402,000)**	(1,919,000)	(866,000)
	United Kingdom	**–**	–	–
	Other Countries	**(4,332,000)**	(7,124,000)	(2,018,000)
	Total	**$ (61,666,000)**	$ (50,522,000)	$ (32,167,000)

All intersegment sales are accounted for by a formula based on local list prices and eliminated in consolidation.

		1999	1998	1997
Operating Income (Loss)				
	Germany	**$ 10,524,000**	$ 3,480,000	$ 3,670,000
	United States	**7,862,000**	9,934,000	5,298,000
	United Kingdom	**2,102,000**	1,751,000	914,000
	Other Countries	**3,562,000**	3,267,000	450,000
	The Netherlands	**(1,596,000)**	(1,360,000)	(991,000)
	Subtotal	**22,454,000**	17,072,000	9,341,000
	Intersegment elimination	**(1,087,000)**	(2,404,000)	(1,082,000)
	Total	**$ 21,367,000**	$ 14,668,000	$ 8,259,000

The Netherlands component of operating income (loss) is primarily general and administrative expenses. The intersegment elimination represents the elimination of intercompany profit.

	1999	1998	1997
Depreciation and Amortization			
Germany	**$ 4,909,000**	$ 3,591,000	$ 3,126,000
United States	**1,688,000**	1,515,000	1,474,000
United Kingdom	**146,000**	161,000	141,000
Other Countries	**938,000**	425,000	98,000
The Netherlands	**150,000**	84,000	86,000
Total	**$ 7,831,000**	$ 5,776,000	$ 4,925,000

	1999	1998	1997
Assets			
Germany	**$ 62,249,000**	$ 52,060,000	$ 34,369,000
United States	**34,526,000**	22,995,000	20,793,000
United Kingdom	**3,586,000**	2,970,000	2,922,000
Other Countries	**32,255,000**	13,770,000	4,886,000
The Netherlands	**81,056,000**	61,082,000	51,436,000
Subtotal	**213,672,000**	152,877,000	114,406,000
Intersegment Elimination	**(65,555,000)**	(45,207,000)	(35,478,000)
Total	**$ 148,117,000**	$ 107,670 ,000	$ 78,928,000

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

At December 31, 1999, the investment in equity method investees totaled $633,000 for Other Countries and $137,000 for the Netherlands and are included in the asset amounts presented above.

	1999	1998	1997
Capital Expenditures			
Germany	**$ 8,601,000**	$ 9,217,000	$ 4,975,000
United States	**2,312,000**	813,000	1,358,000
United Kingdom	**77,000**	77,000	178,000
Other Countries	**821,000**	408,000	213,000
The Netherlands	**–**	–	34,000
Total	**$ 11,811,000**	$ 10,515,000	$ 6,758,000

	1999	1998	1997
Long-Lived Assets			
Germany	**$ 30,723,000**	$ 22,385,000	$ 13,813,000
United States	**11,556,000**	4,340,000	5,070,000
United Kingdom	**195,000**	274,000	370,000
Other Countries	**4,630,000**	3,828,000	391,000
The Netherlands	**3,882,000**	1,644,000	785,000
Total	**$ 50,986,000**	$ 32,471,000	$ 20,429,000

14. Stock Options

On April 30, 1996, the Company adopted the QIAGEN N.V. 1996 Employee, Director and Consultant Stock Option Plan (the Option Plan). The Option Plan allows for incentive stock options, as well as for non-qualified options, generally with terms of 10 years, subject to earlier termination in certain situations. The options vest over a three-year period. The exercise price of the options is determined by the Board or by the Compensation Committee, but in the case of an incentive stock option, the exercise price may not be less than 100 percent of the fair market value at the date of grant. The Company has reserved 2,742,000 shares of common stock for issuance under this plan.

Information regarding the Option Plan as of December 31, 1997, 1998 and 1999, and changes during the years then ended is summarized as follows:

	Option Shares	Weighted Average Exercise Price
December 31, 1996	755,600	$ 6.11
Granted	399,740	16.41
Exercised	(71,784)	5.41
Forfeited	(39,142)	8.77
December 31, 1997	1,044,414	$ 9.98
Granted	327,990	28.71
Exercised	(115,022)	8.39
Forfeited	(53,550)	14.46
December 31, 1998	1,203,832	$ 15.04
Granted	652,101	40.41
Exercised	(228,592)	12.04
Forfeited	(102,732)	25.42
December 31, 1999	**1,524,609**	**$ 25.68**

At December 31, 1999 and 1998, 609,475 and 420,798 options were exercisable at a weighted average price of $11.08 and $8.57 per share, respectively. The options outstanding at December 31, 1999 expire in various years through 2009.

Information about stock options outstanding at December 31, 1999 is summarized as follows:

Range of Exercise Prices	Number Outstanding at 12/31/99	Weighted Average Remaining Contract Life	Weighted Average Exercise Price	Number Exercisable at 12/31/99	Weighted Average Exercise Price
$ 4.75 – $ 4.75	307,202	6.33 Years	$ 4.75	307,202	$ 4.75
$ 7.00 – $ 22.50	347,100	7.28 Years	$ 14.78	221,578	$ 13.46
$ 22.78 – $ 34.44	321,647	8.59 Years	$ 30.53	80,695	$ 28.61
$ 34.44 – $ 35.07	348,600	9.38 Years	$ 35.01	–	$ 0.00
$ 35.06 – $ 75.50	200,060	9.72 Years	$ 52.69	–	$ 0.00
$ 4.75 – $ 75.50	1,524,609	8.16 Years	$ 25.68	609,475	$ 11.08

The Company has elected to adopt SFAS No. 123 for disclosure purposes only and applies APB Opinion No. 25 and related interpretations in accounting for its employee stock options. No compensation cost was recognized relating to options for the years ended December 31, 1999, 1998 and 1997. Had compensation cost for the stock options awarded under the Option Plan been determined based on the fair value at the dates of grant consistent with the methodology of SFAS No. 123, the Company's net income and basic and diluted earnings per share would have reflected the following pro forma amounts:

	1999	1998	1997
Pro forma net income	$ 8,975,000	$ 10,321,000	$ 7,324,000
Pro forma basic net income per share	$ 0.26	$ 0.30	$ 0.22
Pro forma diluted net income per share	$ 0.26	$ 0.30	$ 0.21

The weighted average fair value of options granted during 1999, 1998 and 1997 was $20.56, $14.57 and $8.45, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes multiple option pricing model with the following assumptions used for the grants: weighted average risk-free interest rates of 5.40 percent, 5.27 percent and 5.70 percent and a weighted average expected life of six years for the years ended December 31, 1999, 1998 and 1997, respectively. The weighted average expected volatility was 45 percent, and it is assumed that no dividends would be issued during the option term. Because the Company's stock was not publicly traded prior to 1996, the resulting pro forma compensation cost may not be representative of that to be expected in future years. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option value models also require the input of highly subjective assumptions such as expected option life and expected stock price volatility. Because the Company's stock-based compensation plans have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, the Company believes that the existing option valuation models do not necessarily provide a reliable single measure of the fair value of awards from those plans.

15. Commitments and Contingencies

a. Lease Commitments

The Company leases facilities and equipment under operating lease arrangements expiring in various years through 2018. Certain facility and equipment leases constitute capital leases. The accompanying consolidated financial statements include the assets and liabilities arising from these capital lease obligations.

Minimum future obligations under capital and operating leases at December 31, 1999 are as follows:

	Capital Leases	Operating Leases
2000	$ 1,798,000	$ 3,620,000
2001	1,596,000	2,688,000
2002	1,510,000	1,697,000
2003	1,252,000	1,314,000
2004	1,102,000	960,000
Thereafter	11,849,000	3,444,000
	19,107,000	$ 13,723,000
Less: Amount representing interest	(6,915,000)	
	12,192,000	
Less: Current portion	(1,098,000)	
	$ 11,094,000	

Rent expense under noncancelable operating lease agreements was $3,760,000, $2,071,000 and $2,376,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

On January 1, 2000, the Company entered into a capital lease agreement related to an enlargement of the research and development facility in Germany. The lease expires in 2018 and has total minimum future payments of $3,164,000 of which $1,104,000 represents interest. The minimum future payments are paid over the following years: $167,000 per year for the years 2000 through 2004 and a total of $2,329,000 for the years thereafter.

b. Purchase Commitments

At December 31, 1999, the Company had commitments with several vendors to purchase certain products during 2000 at a total cost of approximately $959,000. The Company also has a commitment with one other vendor to purchase products during 2000 and 2001 at a total cost of approximately $6.1 million and $2.1 million, respectively.

c. Commitments

In March 2000, QIAGEN Sciences, Inc., the Company's new North American manufacturing and research and development subsidiary, entered into contracts totaling $5.6 million with CDI Engineering Group, Inc. for engineering and construction management services related to the construction of a 190,000 square foot facility located in Germantown, Maryland. The new facility construction is expected to be completed by 2002, with the first manufacturing activities initiated in the second half of 2001.

In October 1998, the Company announced that it had signed a five-year supply agreement with Abbott Laboratories (Abbott). According to the agreement, the Company will supply Abbott with various proprietary nucleic acid sample purification and preparation products. Under the terms of this agreement, Abbott has committed to certain purchases of the Company's products over the term of the contract. The Company has committed to certain expansions of its production capacity and product quality and will receive payments for such achievements.

d. Contingencies

The price of the intangible assets purchased by QIAGEN K.K., discussed in Note 9, was calculated based on the estimated net revenues of QIAGEN K.K. for the years ending December 31, 1998, 1999 and 2000. If actual net revenues are in excess of the estimated net revenues, QIAGEN K.K. will make an adjustment payment to the minority shareholder. If actual net revenues are below the estimated net revenues, QIAGEN K.K. will receive a refund from the minority shareholder. For the years ended December 31, 1999 and 1998, no significant adjustments were required.

The Company is a party to legal proceedings incidental to its business. Certain claims, suits or complaints arising out of the normal course of business have been filed or were pending against the Company. Although it is not possible to predict the outcome of such litigation, based on the facts known to the Company and after consultation with legal counsel, management believes that such litigation will not have a material adverse effect on its financial position or results of operations.

16. Retirement Plans

In September 1992, QIAGEN Inc. (U.S.) adopted the QIAGEN Inc. Employees 401(k) Savings Plan (the Plan). The purpose of the Plan is to provide retirement benefits to all eligible employees of the subsidiary. QIAGEN Inc. may make a matching contribution to the Plan at the discretion of the Board of Directors and can make a profit sharing contribution to the Plan at the Board's discretion. In 1999, 1998 and 1997, the Company's total contributions to the Plan were approximately $226,000, $161,000 and $118,000, respectively.

As of December 31, 1999, QIAGEN GmbH has deferred compensation plans for two employees (one officer, one employee). For the 1997 year, only one officer accrued benefits under a deferred compensation plan. The present value of the future compensation obligation of $173,000, $174,000 and $137,000 has been accrued in the accompanying consolidated financial statements at December 31, 1999, 1998 and 1997, respectively.

During 1999, QIAGEN K.K. established a deferred compensation plan for one officer. The present value of the future compensation obligation of $145,000 has been accrued in the accompanying consolidated financial statements at December 31, 1999.

17. Licensing Agreements

The Company has licensing agreements with companies, universities and individuals, some of which require certain up-front payments. Royalty payments are required on net product sales ranging from one to ten percent of covered products. Several of these agreements have minimum royalty requirements. The accompanying consolidated financial statements include accrued royalties relating to these agreements in the amount of $2,865,000 and $973,000 at December 31, 1999 and 1998, respectively. Royalty expense relating to these agreements amounted to $5,656,000, $2,651,000, and $1,434,000 for the years ended December 31, 1999, 1998 and 1997, respectively. Some of these agreements also have minimum raw material purchase requirements (see Note 15) and requirements to perform specific types of research. These licensing agreements are amortized over five to seven years.

18. Related Party Transactions

In connection with its formation, QIAGEN K.K. entered into a service agreement with its minority shareholder. Pursuant to the agreement, the minority shareholder will provide services such as stock keeping, order processing, and packing and shipping. As compensation for services provided, QIAGEN K.K. will pay the minority shareholder a service fee equal to seven percent of the net revenues of QIAGEN K.K. For the years ended December 31, 1999 and 1998, QIAGEN K.K. expensed approximately $857,000 and $537,000, respectively, in service fees, of which $85,000 and $53,000 is included in accrued liabilities at the end of the respective year.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of QIAGEN N.V. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of QIAGEN N.V. (a Netherlands company) and Subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and comprehensive income and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 financial position of QIAGEN N.V. and Subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Los Angeles, California
February 18, 2000

For Dutch statutory purposes we hereby include the QIAGEN N.V. Annual Accounts for the year 1999 based on International Accounting Standards.

QIAGEN N.V.
ANNUAL ACCOUNTS
FOR THE YEAR 1999
TOGETHER WITH AUDITORS' REPORT

QIAGEN N.V.
FINANCIAL STATEMENTS

QIAGEN N.V.
BALANCE SHEET AT DECEMBER 31, 1999

(After proposed appropriation of income)
(Currency – Thousands of US Dollars)

ASSETS

		1999		1998
FIXED ASSETS:				
Intangible fixed assets	USD	6,925	USD	393
Tangible fixed assets		12		18
Financial fixed assets		62,289		34,792
Total fixed assets		69,226		35,203
CURRENT ASSETS:				
Accounts receivable-				
Group companies		3,824		13,226
Prepaid and deferred expenses		579		490
		4,403		13,716
Securities		32,020		23,783
Cash		4,862		3,043
Total current assets		41,285		40,542
Total assets	USD	110,511	USD	75,745

SHAREHOLDERS' EQUITY AND LIABILITIES

		1999		1998
SHAREHOLDERS' EQUITY:				
Issued and paid-in capital	USD	351	USD	298
Additional paid-in capital		58,152		49,303
Retained earnings		43,391		25,681
Cumulative translation adjustment		(4,401)		(2,241)
Total shareholders' equity		97,493		73,041
SHORT-TERM LIABILITIES:				
Group companies		336		2,171
Note payable		12,000		–
Accounts payable and accrued liabilities		682		533
Total short-term liabilities		13,018		2,704
Total shareholders' equity and liabilities	USD	110,511	USD	75,745

QIAGEN N.V.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1999

(Currency – Thousands of US Dollars)

		1999		1998
INCOME/(LOSS) AFTER TAXES	**USD**	**(112)**	USD	670
INCOME FROM SUBSIDIARIES		**17,829**		11,764
Net income		**17,717**	USD	12,434

QIAGEN N.V.

NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 1999

(Currency – Thousands of US Dollars)

1. General

The company was incorporated on April 29, 1996 and has its legal seat in Venlo. The description of the company's activities and the group structure, as included in the notes to the consolidated financial statements, also apply to the company-only financial statements. The consolidated financial statements are included in this annual report. The consolidated financial statements are prepared in accordance with US generally accepted accounting principles, which for the group in certain respects differs significantly from International Accounting Standards. The reconciliation of shareholders' equity and net income under United States generally accepted accounting principles and International Accounting Standards is described in note 9.

This report serves as statutory reporting for the company in order to comply with Dutch financial reporting requirements.

2. Accounting Principles

a. General

The accounting principles as described in the notes to the consolidated financial statements also apply to the company-only financial statements, unless indicated otherwise.
In accordance with article 402 Book 2 of the Netherlands Code the statement of income is presented in abbreviated form.

b. Financial fixed assets

The investments in subsidiary companies are stated at the net asset value of the subsidiaries if influence of significance can be exercised over the subsidiaries' operational and financial activities. The net asset value is determined on the basis of the accounting principles as applied by the company.
The other investments are stated at acquisition cost or, in case of a permanent impairment of the value of the investments, at lower net realizable value.

c. Intangible fixed assets

Goodwill originating from the acquisition of investments represents the difference of the net asset value and the acquisition cost of the investments at the time of the acquisition. The goodwill is amortized on a straight-line basis over a period of 10 years.

3. Financial Fixed Assets

The movement in financial fixed assets is as follows:

(a) Investment in subsidiary companies

		1999
Balance January 1	USD	33,559
Acquisitions		5,484
Translation loss		(2,160)
Net result		17,829
Dividends received		(2,248)
Tax benefit stock options		6,236
Balance December 31	USD	58,700

(b) Other investments

Balance January 1	USD	1,233
Acquisitions		2,356
Balance December 31	USD	3,589
Total financial fixed assets December 31	USD	62,289

Acquisitions relate to the net asset value of the acquisition of Rapigene Inc. as per December 31, 1999.

4. Intangible Fixed Assets

The movement in intangible fixed assets is as follows:

		Goodwill		Licences and Patents		Total
Balance January 1	USD	–	USD	393	USD	393
Additions		6,610		–		6,610
Amortization		–		78		78
Balance December 31	USD	6,610	USD	315	USD	6,925
Original cost	USD	6,610	USD	548	USD	7,158
Accumulated amortization		–		233		233
Balance December 31	USD	6,610	USD	315	USD	6,925

The additions relate to goodwill paid in connection with the acquisition of Rapigene Inc. The goodwill amount consists of "Acquired in-process Research and development" for an amount of USD 5.1 million and "Other goodwill type assets" which amount to USD 1.51 million. For more information on the acquisition of Rapigene Inc. we refer to the notes to the consolidated financial statements.

5. Tangible Fixed Assets

Tangible fixed assets consist of furniture and office equipment. The depreciation charge for the year amounts to USD 6.

6. Cash and Securities

Securities consist of commercial paper and other interest bearing securities. No restrictions on usage of cash and securities exist.

7. Shareholders' Equity

The authorized share capital consists of 65,000,000 ordinary shares, 10,000,000 financing preference shares and 75,000,000 preference shares. All shares have a par value of Euro 0.01 (one Euro cent). As of December 31, 1999, 34,397,638 ordinary shares have been issued and fully paid-up.

The movement in shareholders' equity is as follows:

	Issued and paid-in capital	Additional paid-in capital	Retained earnings	Cumu-lative transaction adjustment	Total
Balance January 1, 1999	USD 298	USD 49,303	USD 25,681	USD (2,241)	USD 73,041
Net income	–	–	17,717	–	17,717
Unrealized loss, net on marketable securities	–	–	(7)	–	(7)
Translation adjustment	–	–	–	(2,160)	(2,160)
Exercise of stock options	3	2,662	–	–	2,665
Convension of par value to 0.01 Eur	(248)	248	–	–	–
Stock split	298	(298)	–	–	–
Tax benefit in connection with nonqualified stock options	–	6,237	–	–	6,237
Balance December 31, 1999	USD 351	USD 58,152	USD 43,391	USD (4,401)	USD 97,493

8. Statutory and Supervisory Directors

The company has two statutory directors and four supervisory directors, who received a total remuneration of USD 694 in their capacity.

9. Reconciliation of IAS-US GAAP

The reconciliation of shareholders' equity and net income according to International Accounting Standards (IAS) and United States Generally Accepted Accounting Principles (as presented in the attached consolidated financial statements) is shown below:

	Shareholders´ equity as of December 31, 1999	Net Income 1999
Reflected in accordance with International Accounting Standards	USD 97,493	USD 17,717
Reconciling items: Goodwill (Acquired in process Research and Development)	(5,100)	(5,100)
Reflected in accordance with United States Generally Accepted Accounting Principles	USD 92,393	USD 12,617

QIAGEN N.V.
OTHER INFORMATION

1. Auditors' Report

Introduction

We have audited the financial statements of QIAGEN N.V., Venlo, The Netherlands, for the year 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in The Netherlands. 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 audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 1999 and of the result for the year then ended in accordance with International Accounting Standards and comply with the financial reporting requirements included in Part 9, Book 2 of The Netherlands Civil Code.

Arthur Andersen

Eindhoven, The Netherlands,
February 16, 2000

2. Statutory Profit Appropriation

Statutory profit appropriation is mentioned in Article 40 of the Articles of Association and can be summarized as follows:

1. Out of the profits remaining after distribution on the preference shares, if any, such amounts shall be allocated to reserve as the Supervisory Board shall decide.
2. Insofar as the profit is not distributed or allocated to reserve (to the preference shares and the financing preference shares, if any) upon application of the previous paragraphs of this article, it shall be at the free disposal of the general meeting, with the proviso that no further dividend will be distributed on the preference shares and the financing preference shares.
3. The Company can only declare distributions insofar as its "eigen vermogen" (shareholders' equity) exceeds the amount of the paid-up and called portion of the share capital, plus the "wettelijke" (statutory) reserves.
4. The Board of Management may, with the approval of the Supervisory Board, decide to pay an interim dividend provided always that paragraph 3 of this Article is complied with and the profit so permits. Interim dividends may be distributed on one class of shares only.
5. Dividends (including interim dividends for the purpose of this and the next paragraph) shall be made payable at the Company's offices address or addresses in The Netherlands, to be determined by the Supervisory Board, as well as at least one address in each country where the shares of the Company are listed on a stock exchange, as from a date determined by the Supervisory Board.
6. Dividends that have not been claimed within five years and two days of becoming payable shall be forfeited and shall accrue to the benefit of the company.

EXECUTIVE OFFICERS AND SUPERVISORY DIRECTORS

The supervisory directors, managing directors and executive officers of the Company are as follows:

Executive Officers

Dr. Metin Colpan

Managing Director, Chief Executive Officer

Mr. Peer M. Schatz

Managing Director, Chief Financial Officer

Supervisory Directors

Mr. Jochen Walter (2) is Managing Director of RBS GmbH, the management company for S-Kapitalbeteiligungs-gesellschaft Düsseldorf mbH.

Dr. Franz A. Wirtz (1) is Director of Grünenthal GmbH.

Mr. Erik Hornnaess is a consultant with a strong background in the diagnostic industry.

Chairman of the Supervisory Board

Professor Dr. Detlev H. Riesner (1) is Vice President of Research at the University of Düsseldorf, Germany.

Special Advisor and Honorary Chairman

Professor Dr. jur. Carsten P. Claussen is a partner in the law firm of Hoffmann Liebs and Partner. He is Chairman of Germania Epe AG and serves as a member of other boards.

(1) Member of the Compensation Committee.
(2) Member of the Audit Committee.

Market Information

In May 1999, the Company's Board of Supervisory Directors and Managing Board approved a two-for-one stock split. Common shareholders of record on July 2, 1999 received an additional share for each share held on that date. The additional shares were distributed and the stock split was effective on July 16, 1999.

The Common Shares are quoted on the NASDAQ National Market under the symbol QGENF. The following table sets forth the range of quarterly high and low closing sale prices of the Common Shares on the NASDAQ National Market for each quarterly period within the two most recent fiscal years. Share prices prior to July 16, 1999 have been restated to reflect the two-for-one stock split.

1998	High ($)	Low ($)
First Quarter	38.000	20.938
Second Quarter	34.250	30.500
Third Quarter	33.063	24.500
Fourth Quarter	33.438	23.969
1999:		
First Quarter	39.125	32.750
Second Quarter	39.625	34.000
Third Quarter	43.750	32.813
Fourth Quarter	83.500	45.000
2000:		
First Quarter (through February 29, 2000)	186.000	75.250

The Common Shares are also traded officially on the Frankfurt Stock Exchange, Neuer Markt under the symbol QIA. The following table sets forth the range of quarterly high and low closing sale prices of the Common Shares on the Neuer Markt for each quarterly period within the two most recent fiscal years. Prior to January 1, 1999 trades on the Neuer Markt were denominated in German marks. In connection with the adoption of the euro by Germany on January 1, 1999, trades on the Neuer Markt, as of January 1, 1999, are denominated in euros. The conversion rate between the German mark and the euro was fixed on January 1, 1999 at 1.95583 German marks per euro. Share prices prior to July 16, 1999 have been restated to reflect the two-for-one stock split.

1998:	High (DM)	Low (DM)
First Quarter	68.800	38.250
Second Quarter	66.000	53.775
Third Quarter	58.375	42.500
Fourth Quarter	55.850	36.550
1999:	**High (EUR)**	**Low (EUR)**
First Quarter	35.25	28.50
Second Quarter	36.75	30.55
Third Quarter	41.80	31.50
Fourth Quarter	83.00	40.60
2000:		
First Quarter (through February 29, 2000)	183.00	71.82

As of February 29, 2000, there were approximately 2,000 shareholders of record and beneficial stockholders (stockholders holding Common Shares in brokerage accounts) of the Company's Common Shares. The Company has not paid any dividends on its Common Shares since its inception and does not intend to pay any dividends on its Common Shares in the foreseeable future. The Company intends to retain its earnings, if any, for the development of its business.

SHAREHOLDER INFORMATION

Corporate Headquarters

QIAGEN N.V.
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5911 KJ Venlo
The Netherlands
Phone (+31)-77-320-8400
Fax (+31)-77-320-8409

Independent Public Accountants

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USA

General Legal Counsel

USA
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1070 AB Amsterdam

Germany
Bruckhaus Westrick Heller Löber
Freiligrathstraße 1
40479 Düsseldorf

Registrar and Transfer Agent

American Stock Transfer & Trust Company
40 Wall Street
New York, NY 10005
USA
Phone (212)-936-5100

Stockholder Inquiries

Communications concerning transfer requirements, lost certificates, and change of address should be directed to the transfer agent. All other inquiries should be directed to:
Investor Relations
QIAGEN N.V.
Spoorstraat 50
5911 KJ Venlo
The Netherlands
Phone (+31)-77-320-8400
Fax (+31)-77-320-8409

Annual Meeting

The Company expects to hold its Annual General Meeting of Stockholders on Friday, June 16, 2000 at 10:30 AM in Venlo, The Netherlands.

Information via Internet

Internet World Wide Web users can access QIAGEN N.V.'s Annual Report and other financial information at the QIAGEN homepage at: www.qiagen.com

SEC Form 20-F

A copy of the Company's Annual Report or Form 20-F filed with the United States Securities and Exchange Commission is available without charge upon written request to:

Corporate Controller
QIAGEN N.V.
Spoorstraat 50
5911 KJ Venlo
The Netherlands
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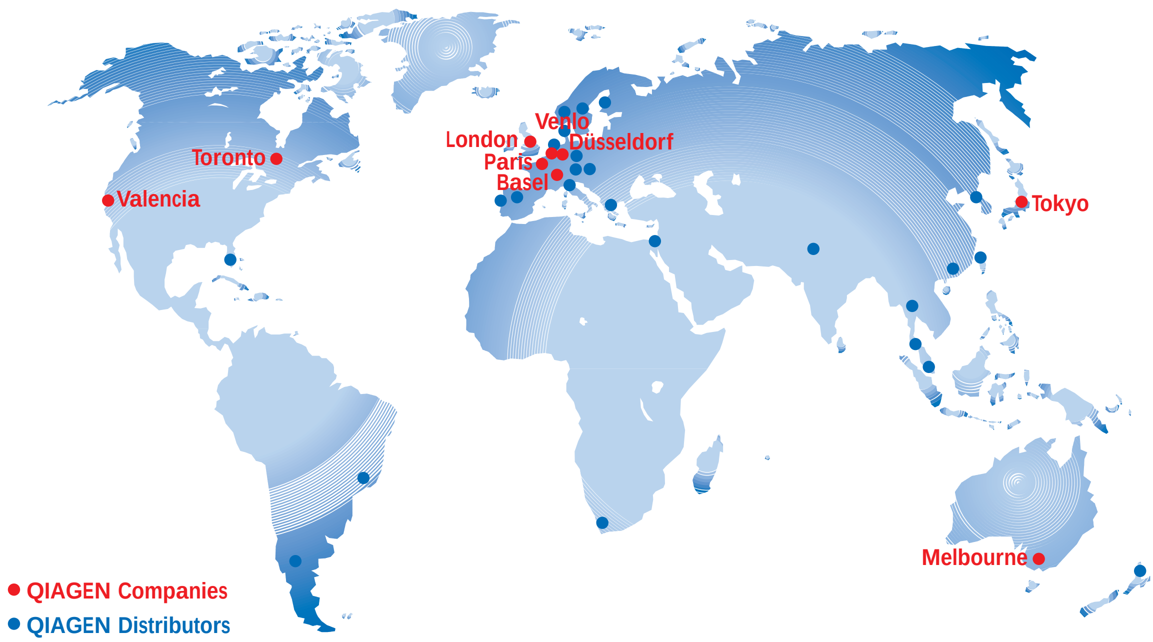
QIAamp Kits are intended as general-purpose devices that may be used in clinical diagnostic laboratory systems after the laboratory has validated their complete system as required by CLIA '88 regulations in the U.S. or equivalents in other countries.

The PCR process is covered by U.S. Patents 4,683,195 and 4,683,202 and foreign equivalents owned by Hoffmann-La Roche AG.

Notes

QIAGEN Around the World



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