

QIAGEN NV
Form 6-K
August 14, 2007
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2007

QIAGEN N.V.

Spoorstraat 50

5911 KJ Venlo

The Netherlands

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

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes No

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QIAGEN N.V.

Form 6-K

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Table of ContentsQIAGEN N.V.CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30,	December 31,
	2007	2006
	(unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 380,371,000	\$ 430,357,000
Marketable securities	99,300,000	52,782,000
Notes receivable	3,475,000	4,247,000
Accounts receivable, net of allowance for doubtful accounts of \$4,111,000 and \$4,167,000 in 2007 and 2006, respectively	91,731,000	80,429,000
Income taxes receivable	2,839,000	2,901,000
Inventories	67,237,000	64,085,000
Deferred income taxes	23,215,000	18,627,000
Prepaid expenses and other	35,045,000	29,763,000
Total current assets	703,213,000	683,191,000
Long-Term Assets:		
Property, plant and equipment, net	228,009,000	221,277,000
Goodwill	159,013,000	160,141,000
Intangible assets, net	132,821,000	118,492,000
Deferred income taxes	11,078,000	2,409,000
Other assets	27,541,000	26,502,000
Total long-term assets	558,462,000	528,821,000
Total assets	\$ 1,261,675,000	\$ 1,212,012,000

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

Table of ContentsQIAGEN N.V.CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2007 (unaudited)	December 31, 2006
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt	\$ 13,520,000	\$ 6,599,000
Current portion of capital lease obligations	836,000	823,000
Accounts payable	20,315,000	23,806,000
Accrued and other liabilities	66,146,000	66,197,000
Income taxes payable	19,953,000	13,746,000
Deferred income taxes	6,066,000	5,360,000
Total current liabilities	126,836,000	116,531,000
Long-Term Liabilities:		
Long-term debt, net of current portion	477,038,000	489,592,000
Capital lease obligations, net of current portion	11,933,000	12,009,000
Deferred income taxes	22,618,000	21,705,000
Other	6,006,000	6,010,000
Total long-term liabilities	517,595,000	529,316,000
Commitments and Contingencies		
Shareholders' Equity:		
Preference shares, .01 EUR par value, authorized 300,000,000 shares, no shares issued and outstanding		
Financing preference shares, .01 EUR par value, authorized 40,000,000 shares, no shares issued and outstanding		
Common shares, .01 EUR par value, authorized 260,000,000 shares, issued and outstanding 150,731,050 and 150,167,540 shares at June 30, 2007 and December 31, 2006, respectively	1,542,000	1,535,000
Additional paid-in capital	186,196,000	178,656,000
Retained earnings	381,107,000	344,739,000
Accumulated other comprehensive income	48,399,000	41,235,000
Total shareholders' equity	617,244,000	566,165,000
Total liabilities and shareholders' equity	\$ 1,261,675,000	\$ 1,212,012,000

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

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	Three Months Ended June 30,	
	2007	2006
Net sales	\$ 135,039,000	\$ 113,233,000
Cost of sales	41,577,000	32,632,000
Cost of sales acquisition related		1,284,000
Gross profit	93,462,000	79,317,000
Operating Expenses:		
Research and development	12,690,000	10,235,000
Sales and marketing	31,995,000	28,762,000
General and administrative	13,666,000	12,581,000
Purchased in-process research and development		100,000
Acquisition, integration and related costs	1,346,000	3,246,000
Acquisition related intangible amortization	2,658,000	1,893,000
Relocation and restructuring	70,000	785,000
Total operating expenses	62,425,000	57,602,000
Income from operations	31,037,000	21,715,000
Other Income (Expense):		
Interest income	5,260,000	2,973,000
Interest expense	(4,923,000)	(1,934,000)
Other income, net	1,135,000	636,000
Total other income	1,472,000	1,675,000
Income before provision for income taxes	32,509,000	23,390,000
Provision for income taxes	9,926,000	9,236,000
Net income	\$ 22,583,000	\$ 14,154,000
Basic net income per common share	\$ 0.15	\$ 0.09
Diluted net income per common share	\$ 0.14	\$ 0.09

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

Table of ContentsQIAGEN N.V.CONDENSED CONSOLIDATED STATEMENTS OF INCOME(unaudited)

	Six Months Ended June 30,	
	2007	2006
Net sales	\$ 262,918,000	\$ 221,948,000
Cost of sales	80,506,000	65,516,000
Cost of sales acquisition related		1,745,000
Gross profit	182,412,000	154,687,000
Operating Expenses:		
Research and development	24,221,000	20,423,000
Sales and marketing	63,298,000	55,181,000
General and administrative	27,290,000	24,110,000
Purchased in-process research and development		300,000
Acquisition, integration and related costs	2,036,000	3,530,000
Acquisition related intangible amortization	5,256,000	3,398,000
Relocation and restructuring costs	478,000	785,000
Total operating expenses	122,579,000	107,727,000
Income from operations	59,833,000	46,960,000
Other Income (Expense):		
Interest income	10,426,000	4,983,000
Interest expense	(9,614,000)	(3,392,000)
Other income, net	881,000	1,417,000
Total other income	1,693,000	3,008,000
Income before provision for income taxes	61,526,000	49,968,000
Provision for income taxes	19,076,000	18,234,000
Net income	\$ 42,450,000	\$ 31,734,000
Basic net income per common share	\$ 0.28	\$ 0.21
Diluted net income per common share	\$ 0.27	\$ 0.21

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

	Six Months Ended June 30,	
	2007	2006
Cash Flows from Operating Activities:		
Net income	\$ 42,450,000	\$ 31,734,000
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of businesses acquired:		
Depreciation and amortization	18,124,000	14,063,000
Provision for losses on accounts receivable	581,000	329,000
Deferred income taxes	(1,995,000)	6,141,000
Purchased in-process research and development		300,000
Non-cash acquisition costs		4,134,000
Loss on disposition of property and equipment	97,000	23,000
Gain on equity method investees	(826,000)	(579,000)
Incremental tax benefit from exercise of non-qualified stock options	(1,077,000)	(2,733,000)
Share-based compensation	1,217,000	144,000
Decrease (increase) in:		
Notes receivable	675,000	1,122,000
Accounts receivable	(10,577,000)	(12,000)
Inventories	(2,783,000)	(827,000)
Income tax receivable	168,000	(172,000)
Prepaid expenses and other	(5,231,000)	(5,544,000)
Other assets	(1,991,000)	643,000
Increase (decrease) in:		
Accounts payable	(3,610,000)	3,207,000
Accrued liabilities	(1,492,000)	(5,261,000)
Income taxes payable	1,163,000	(3,165,000)
Other	222,000	2,329,000
Net cash provided by operating activities	35,115,000	45,876,000
Cash Flows from Investing Activities:		
Purchases of land, property and equipment	(14,953,000)	(10,404,000)
Proceeds from sale of property	514,000	249,000
Proceeds from sales of marketable securities	1,439,000	5,000,000
Purchases of marketable securities	(45,444,000)	
Purchase of intangibles	(18,453,000)	(2,754,000)
Cash paid for acquisitions, net of cash acquired	(6,585,000)	(53,639,000)
Other	326,000	284,000
Net cash used in investing activities	(83,156,000)	(61,264,000)

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

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

	Six Months Ended June 30,	
	2007	2006
Cash Flows from Financing Activities:		
Proceeds of debt		295,022,000
Repayment of debt	(6,742,000)	(9,819,000)
Principal payments on capital leases	(371,000)	(327,000)
Proceeds from subscription receivable	460,000	233,000
Issuance of common shares	4,793,000	6,315,000
Excess tax benefits from stock-based compensation	1,077,000	2,733,000
Net cash (used in) provided by financing activities	(783,000)	294,157,000
Effect of exchange rate changes on cash and cash equivalents	(1,162,000)	2,988,000
Net (decrease) increase in cash and cash equivalents	(49,986,000)	281,757,000
Cash and cash equivalents, beginning of period	430,357,000	191,700,000
Cash and cash equivalents, end of period	\$ 380,371,000	\$ 473,457,000
Supplemental Cash Flow Disclosures:		
Cash paid for interest	\$ 8,524,000	\$ 2,855,000
Cash paid for income taxes	\$ 13,620,000	\$ 14,324,000
Equipment purchased through capital lease	\$ 59,000	\$ 152,000
Note issued for acquisition	\$	\$ 7,500,000

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

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QIAGEN N.V.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Basis of Presentation

The condensed consolidated financial statements include the accounts of QIAGEN N.V. (the Company), a company incorporated in The Netherlands, and its wholly owned subsidiaries that are not considered variable interest entities. All significant intercompany accounts and transactions have been eliminated. All amounts are presented in U.S. dollars, unless otherwise indicated. Investments in companies where the Company exercises significant influence over the operations, and where the Company is not the primary beneficiary, are accounted for using the equity method. All other investments are accounted for under the cost method.

In the opinion of management and subject to the year-end audit, the accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the Securities and Exchange Commission rules and regulations. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary for a fair presentation have been included.

The results of operations for the interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 20-F for the year ended December 31, 2006.

2. Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes. An Interpretation of FASB Statement No. 109 (FIN 48), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim period, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted FIN 48 as of January 1, 2007. The cumulative effect of approximately \$6.1 million related to the adoption of FIN 48 was recorded as a reduction to retained earnings.

In June 2006, the FASB ratified the Emerging Issues Task Force (EITF) consensus on EITF Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation). EITF Issue No. 06-3 states that the classification of taxes as gross or net is an accounting policy decision that is dependent on type of tax and that similar taxes are to be presented in a similar manner. EITF Issue No. 06-3 is effective for reporting periods beginning after December 15, 2006. The Company adopted this consensus as required on January 1, 2007 without a material impact on the Company's results of operations, financial condition or liquidity.

In February 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 155, Accounting for Certain Hybrid Financial Instruments, (SFAS 155) which amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, (SFAS 133) and SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, (SFAS 140). SFAS 155 simplifies the accounting for certain derivatives embedded in other financial instruments by allowing them to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. SFAS 155 also clarifies and amends certain other provisions of SFAS 133 and SFAS 140. SFAS 155 is effective for all financial instruments acquired, issued or subject to a remeasurement event occurring in fiscal years beginning after September 15, 2006. The Company adopted SFAS 155 as required on January 1, 2007 without a material impact on the Company's results of operations, financial condition or liquidity.

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New Accounting Standards Not Yet Adopted

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, (SFAS 157) SFAS 157 provides guidance for using fair value to measure assets and liabilities and only applies when other standards require or permit the fair value measurement of assets and liabilities. It does not expand the use of fair value measurement. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company will adopt this standard as required on January 1, 2008, and management is currently assessing the effect SFAS 157 will have on the Company's results of operations, financial condition and liquidity.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, (SFAS 159). SFAS 159 expands opportunities to use fair value measurement in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company has not decided if it will adopt SFAS 159 early or if we will choose to measure any eligible financial assets and liabilities at fair value.

3. Share-Based Compensation

During 2005, the Company adopted the QIAGEN N.V. Amended and Restated 2005 Stock Plan (the Plan). The Plan allows for the granting of stock rights, incentive stock options, as well as non-qualified options, stock grants and stock-based awards, generally with terms of up to 10 years, subject to earlier termination in certain situations. The vesting and exercisability of certain stock rights will be accelerated in the event of a Change of Control, as defined in the Plan. The Company had approximately 19.0 million shares of common stock reserved and available for issuance under this plan at June 30, 2007.

Stock Options

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

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

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

Expected Volatility Volatility is a measure of the amount by which a financial variable such as share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The Company uses a combination of the historical volatility of its stock price and the implied volatility of market-traded options of the Company's stock to estimate the expected volatility assumption input to the Black-Scholes model in accordance with SFAS No. 123(R) and Staff Accounting Bulletin No. 107. In prior periods, the Company relied solely on the historical volatility of its stock price for its volatility assumption input to the Black-Scholes model. The Company's decision to use a combination of historical and implied volatility is based upon the availability of actively traded options of its stock and its assessment that such a combination is more representative of future expected stock price trends. Since 2001, the Company's annual volatility has ranged from 75 percent in 2001 to 26 percent in 2005 with an average of 57 percent during the five-year period.

Expected Life of the Option This is the period of time that the options granted are expected to remain outstanding. The Company used SAB 107's simplified method for estimating the expected term of share-based awards granted in 2007 and 2006.

Forfeiture Rate This is the estimated percentage of options granted that are expected to be forfeited or cancelled on an annual basis before becoming fully vested. The Company estimated the forfeiture rate based on historical forfeiture experience. For the periods ended June 30, 2007 and 2006, the estimated weighted average forfeiture rate was 6.3% and 9%, respectively.

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During the three- and six-month periods ended June 30, 2007, the Company granted options to purchase 72,605 and 322,198 common shares, respectively. During the three- and six-month periods ended June 30, 2006, the Company granted options to purchase 17,500 shares. Following are the weighted-average assumptions used in valuing the stock options granted to employees during the three-month periods ended June 30, 2007 and 2006:

	2007	2006
Stock price volatility	38.5%	43.0%
Risk-free interest rate	4.4%	5.0%
Expected life (in years)	5.6	6
Dividend rate	0%	0%

A summary of the status of the Company's employee stock options as of June 30, 2007 and changes during the six months then ended is presented below:

	Number of	Weighted Average Exercise	Weighted Average Contractual	Aggregate Intrinsic Value
Stock Options	Shares	Price	Term	Value
Outstanding at December 31, 2006	11,716,539	\$ 13.43		
Granted	322,198	\$ 16.90		
Exercised	(564,510)	\$ 8.49		
Forfeited and cancelled	(160,480)	\$ 14.33		
Outstanding at June 30, 2007	11,313,747	\$ 13.76	5.65	\$ 63,832,678
Exercisable at June 30, 2007	10,785,373	\$ 13.64	5.46	\$ 62,706,124
Vested and expected to vest at June 30, 2007	11,270,807	\$ 13.75	0.24	\$ 63,464,402

The weighted average grant date fair value of options granted during the three months ended June 30, 2007 was \$6.39. For the three and six months ended June 30, 2007, options to purchase 221,299 and 564,510 shares, respectively, were exercised. The total intrinsic value of options exercised during the three- and six-month periods ended June 30, 2007 was \$1.6 million and \$5.0 million, respectively. For the three- and six-month periods ended June 30, 2006, options to purchase 204,981 and 1,021,570 shares, respectively, were exercised. The total intrinsic value of options exercised during the three- and six-month periods ended June 30, 2006 was \$1.5 million and \$8.3 million, respectively.

At June 30, 2007, the unrecognized share-based compensation expense related to employee stock option awards is approximately \$2.6 million and will be recognized over a weighted average period of approximately 1.52 years.

Restricted Stock Units

Restricted stock units represent rights to receive common shares at a future date. There is no exercise price and no monetary payment is required for receipt of restricted stock units or the shares issued in settlement of the award. Generally, restricted stock units vest over a ten-year period. The fair market value at the time of the grant is amortized to expense on a straight-line basis over the period of vesting. The fair market value is determined based on the number of restricted stock units granted and the market value of the Company's shares on the grant date. Pre-vesting forfeitures were estimated to be approximately 2.3%. For the three months ended June 30, 2007, the Company recognized \$570,000 in share-based compensation cost related to these restricted stock unit awards. At June 30, 2007, there was \$13.3 million remaining in unrecognized compensation cost related to these awards, which is expected to be recognized over a weighted average period of 4.34 years.

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The weighted average grant date fair value of restricted stock units granted during the six months ended June 30, 2007 was \$17.48. A summary of the Company's restricted stock units as of June 30, 2007 and changes during the six months then ended is presented below:

Restricted Stock Units	Restricted Stock Units	Weighted	Aggregate
		Average	Intrinsic
		Contractual	Value
		Term	
Outstanding at December 31, 2006			
Granted	840,079		
Exercised			
Forfeited and cancelled			
Outstanding at June 30, 2007	840,079	4.34	\$ 14,945,005
Vested and expected to vest at June 30, 2007	825,535	4.34	\$ 14,686,272

Compensation Expense

Total share-based compensation expense for the three and six months ended June 30, 2007 totaled approximately \$889,000 and \$1.2 million, respectively. For the three and six months ended June 30, 2006, compensation expense totaled approximately \$60,000 and \$144,000, respectively. No compensation cost was capitalized in inventory in 2007 or 2006 as the amounts were not material.

4. Net Income Per Common Share

Net income per common share for the three and six months ended June 30, 2007 and 2006 are based on the weighted average number of common shares outstanding and the dilutive effect of stock options outstanding.

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

	Three Months Ended June 30,	
	2007	2006
Weighted average number of common shares used to compute basic net income per common share	150,647,000	149,411,000
Dilutive effect of warrants	3,226,000	1,227,000
Dilutive effect of stock options and restricted stock units	3,029,000	2,595,000
Weighted average number of common shares used to compute diluted net income per common share	156,902,000	153,233,000
Outstanding stock options having no dilutive effect, not included in above calculation	2,574,000	3,335,000
Outstanding warrants having no dilutive effect, not included in above calculation	23,836,000	25,906,000

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	Six Months Ended June 30,	
	2007	2006
Weighted average number of common shares used to compute basic net income per common share	150,518,000	149,178,000
Dilutive effect of warrants	3,026,000	957,000
Dilutive effect of stock options and restricted stock units	3,006,000	2,647,000
Weighted average number of common shares used to compute diluted net income per common share	156,550,000	152,782,000
Outstanding stock options having no dilutive effect, not included in above calculation	2,506,000	3,454,000
Outstanding warrants having no dilutive effect, not included in above calculation	23,937,000	18,541,000

5. Acquisitions

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

Changes in the acquisition accrual for the six-month period ended June 30, 2007 are as follows:

	Relocation, severance and employee related			Lease and facility	Other	Total		
ACCRUAL BALANCE AT DECEMBER 31, 2006	\$	773,000	\$	1,967,000	\$	538,000	\$	3,278,000
Amounts accrued		221,000		129,000		357,000		707,000
Amounts paid in cash or settled		(972,000)		(2,096,000)		(296,000)		(3,364,000)
ACCRUAL BALANCE AT JUNE 30, 2007	\$	22,000	\$		\$	599,000	\$	621,000

6. Relocation and Restructure

In line with the Company's focus of streamlining and strengthening its operations, in 2007 and 2006 relocation and restructuring costs recorded are primarily related to the restructuring of previously acquired businesses located in Norway and North America for which a restructuring was not contemplated at the time of acquisition. The restructurings are now complete at a total cost of approximately \$2.0 million.

Changes in the relocation and restructure accrual for the six-month period ended June 30, 2007 are as follows:

	Relocation, severance and employee related			Lease and facility	Other	Total		
ACCRUAL BALANCE AT DECEMBER 31, 2006	\$	279,000	\$		\$	47,000	\$	326,000
Amounts accrued		191,000		134,000		1,000		326,000
Amounts paid in cash or settled		(367,000)		(81,000)		(21,000)		(469,000)
ACCRUAL BALANCE AT JUNE 30, 2007	\$	103,000	\$	53,000	\$	27,000	\$	183,000

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7. Variable Interest Entities

FASB revised Interpretation No. 46 (FIN 46(R)), Consolidation of Variable Interest Entities, requires a company to consolidate a variable interest entity if it is designated as the primary beneficiary of that entity even if the company does not have a majority of voting interests. A variable interest entity is generally defined as an entity with insufficient equity to finance its activities or where the owners of the entity lack the risk and rewards of ownership.

Since November 1999, the Company has had a 50% interest in a joint venture company, PreAnalytiX GmbH, for which neither joint venture partner is the primary beneficiary within the provisions of FIN 46(R). Thus, the investment is accounted for under the equity method. PreAnalytiX was formed to develop, manufacture and market integrated systems for the collection, stabilization and purification of nucleic acids for molecular diagnostic testing. At present, the Company's maximum exposure to loss as a result of its involvement with PreAnalytiX is limited to the Company's share of losses from the equity method investment itself. The joint venture entity reported net profit for the period ended June 30, 2007.

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

8. Debt

The Company has seven separate lines of credit amounting to approximately \$17.3 million with variable interest rates, none of which was utilized at June 30, 2007.

At June 30, 2007, long-term debt totaled approximately \$490.6 million, of which \$13.5 million was current and includes a note payable of EUR 5.0 million (approximately \$6.8 million at June 30, 2007) which was due in June 2008, and a note payable of EUR 25.0 million (approximately \$33.8 million at June 30, 2007) which was due in annual installments through June 2011. These notes bore interest at a variable rate at EURIBOR plus 0.75%. The loan agreements contain certain financial and non-financial covenants, including but not limited to restrictions on the encumbrance of land, restrictions on the transfer of any patents to third parties and the maintenance of certain financial ratios. The Company was in compliance with these covenants at June 30, 2007. In July 2007, the Company repaid these notes.

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In August 2004, the Company completed the sale of the 2004 Notes, through its unconsolidated subsidiary QIAGEN Finance. The net proceeds of the 2004 Notes were loaned by QIAGEN Finance to consolidated subsidiaries in the U.S. and Switzerland. At June 30, 2007, \$150.0 million is included in long-term debt for the amount of 2004 Note proceeds payable to QIAGEN Finance. These long-term notes payable to QIAGEN Finance have an effective fixed interest rate of 1.95% and are due in August 2011. Interest on the 2004 Notes is payable semi-annually in February and August. The 2004 Notes were issued at 100% of principal value, and are convertible into 11.9 million common shares at the option of the holders upon the occurrence of certain events at a price of \$12.6449 per share, subject to adjustment. QIAGEN N.V. has an agreement with QIAGEN Finance to issue shares to the investors in the event of conversion. This subscription right, along with the related receivable, is recorded at fair value in the equity of QIAGEN N.V. as paid-in capital. The 2004 Notes may be redeemed, in whole or in part, at QIAGEN's option on or after August 18, 2011, at 100% of the principal amount, provided that the actual trading price of the Company's common stock exceeds 120% of the conversion price for twenty consecutive trading days. In addition, the holders of the 2004 Notes may require QIAGEN to repurchase all or a portion of the outstanding 2004 Notes for 100% of the principal amount, plus accrued interest, on August 18, 2011, 2014 and 2019.

In May 2006, the Company completed the offering of the 2006 Notes due in 2026 through a new unconsolidated subsidiary Euro Finance. The net proceeds of the 2006 Notes were loaned by Euro Finance to consolidated subsidiaries of the Company. At June 30, 2007, \$300.0 million is included in long-term debt for the amount of 2006 Note proceeds payable to Euro Finance. These long-term notes payable to Euro Finance have an effective fixed interest rate of 4.2% and are due in May 2013. Interest on the 2006 Notes is payable semi-annually in May and November. The 2006 Notes were issued at 100% of principal value, and are convertible into 15.0 million common shares at the option of the holders upon the occurrence of certain events at a price of \$20.00 per share, subject to adjustment. QIAGEN N.V. has an agreement with Euro Finance to issue shares to the investors in the event of conversion. This subscription right, along with the related receivable, is recorded at fair value in the equity of QIAGEN N.V. as paid-in capital. The 2006 Notes cannot be called for the first 7 years and are callable thereafter subject to a provisional call trigger of 130% of the conversion price. In addition, the holders of the 2006 Notes may require QIAGEN to repurchase all or a portion of the outstanding Notes for 100% of the principal amount, plus accrued interest, on May 16, 2013, 2017 and 2022.

9. Inventories

The components of inventories consist of the following as of June 30, 2007 and December 31, 2006:

	June 30,	December 31,
	2007	2006
Raw materials	\$ 21,878,000	\$ 22,376,000
Work in process	27,557,000	23,229,000
Finished goods	17,802,000	18,480,000
Total inventories	\$ 67,237,000	\$ 64,085,000

Table of Contents10. Intangible Assets

The following sets forth the intangible assets by major asset class as of June 30, 2007 and December 31, 2006:

	June 30,		December 31,	
	2007		2006	
	Gross		Gross	
	Carrying	Accumulated	Carrying	Accumulated
	Amount	Amortization	Amount	Amortization
Amortized Intangible Assets:				
Patent and license rights	\$ 60,479,000	\$ (14,435,000)	\$ 41,362,000	\$ (11,744,000)
Developed technology	80,253,000	(15,207,000)	78,814,000	(11,690,000)
Customer base and trademarks	25,917,000	(4,186,000)	24,220,000	(2,470,000)
	\$ 166,649,000	\$ (33,828,000)	\$ 144,396,000	\$ (25,904,000)
Unamortized Intangible Assets:				
Goodwill	\$ 159,013,000		\$ 160,141,000	

The changes in the carrying amount of goodwill for the three and six months ended June 30, 2007 relate to purchase price adjustments, primarily due to tax matters in connection with 2006 acquisitions, milestone payments and foreign currency translation.

Amortization expense on intangible assets totaled approximately \$3.8 million and \$7.2 million and \$2.4 million and \$4.4 million, respectively, for the three- and six-month periods ended June 30, 2007 and 2006. Amortization of intangibles for the next five years is expected to be approximately:

2008	\$ 15,464,000
2009	\$ 15,045,000
2010	\$ 14,678,000
2011	\$ 13,674,000
2012	\$ 12,501,000

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11. Income Taxes

The provision for income taxes for the three- and six-month periods ended June 30, 2007 and 2006 is based upon the estimated annual effective tax rates. Fluctuations in the distribution of pre-tax income among the Company's operating subsidiaries can lead to fluctuations of the effective tax rate in the consolidated financial statements. The Company's operating subsidiaries are exposed to effective tax rates ranging from zero up to approximately 42%. In the three- and six-month periods ended June 30, 2007, the effective tax rate was 31% compared to the effective rate of 40% and 37% in the three- and six-month periods ended June 30, 2006, respectively, due to such fluctuations. Further, the effective tax rates during 2006 are higher as a result of non-recurring acquisition related charges which were recorded without any related tax benefit. Excluding these charges, the effective tax rates in the three and six month periods ended June 30, 2006 would have been approximately 37% and 34%, respectively. Effective January 1, 2007, The Netherlands corporate tax rate decreased to 25% from 29.6%. In addition, the Company's newer subsidiaries in Asia, including Singapore and Korea, which joined the consolidated group in the later half of 2006, have lower tax rates of 25% and 27%, respectively. Thus, in 2007, an increasing portion of the Company's pre-tax income is attributable to subsidiaries with lower effective tax rates as compared to 2006.

The Company adopted the provisions of FIN 48 on January 1, 2007 which resulted in a decrease of approximately \$6.1 million to the January 1, 2007 balance of retained earnings. As of the date of adoption, the Company's unrecognized tax benefits totaled approximately \$12.9 million, of which \$9.4 million in benefits, if recognized, would favorably affect our effective tax rate in any future period. The remaining \$3.5 million in unrecognized tax benefits are related to acquired net operating losses for which no deferred tax benefit has been recorded.

During the three- and six-month periods ended June 30, 2007, there were no significant changes to the amounts of unrecognized tax benefits. At June 30, 2007, the Company's unrecognized tax benefits totaled approximately \$13.3 million, of which \$10.0 million in benefits, if recognized, would favorably affect our effective tax rate in any future period.

It is possible that approximately \$9.2 million of the unrecognized tax benefits may be released during the next 12 months. This amount relates predominantly to transfer pricing and uncertain tax positions in Germany as a result of the Company's reorganization efforts in 2002. These matters are expected to be settled either in the course of the ongoing tax audit in Germany or when the statute of limitations expire. We cannot reasonably estimate the range of the potential outcome.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties within tax provision expense. At the date of adoption of FIN 48, the Company had \$1.8 million of accrued interest included in accrued and other liabilities in the accompanying consolidated balance sheet. At June 30, 2007, the amount of accrued interest increased to \$2.1 million, with approximately \$283,000 of accrued interest expense recognized during the three-months ended June 30, 2007.

The Company conducts business globally and, as a result, files numerous consolidated and separate income tax returns in The Netherlands, Germany, Switzerland and the U.S. federal jurisdiction, as well as in various other state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. With few exceptions, the Company is no longer subject to income tax examinations by tax authorities for years before 2002.

Table of Contents12. Shareholders' Equity

The following tables detail the changes in shareholders' equity from December 31, 2006 to June 30, 2007 and from December 31, 2005 to June 30, 2006, respectively:

	Common Shares		Additional	Accumulated		
	Shares	Amount	Paid-In	Retained	Other	Total
			Capital	Earnings	Comprehensive Income	
BALANCE AT DECEMBER 31, 2006	150,167,540	\$ 1,535,000	\$ 178,656,000	\$ 344,739,000	\$ 41,235,000	\$ 566,165,000
Net income				42,450,000		42,450,000
Proceeds from subscription receivable			460,000			460,000
Unrealized loss, net on marketable securities					(1,774,000)	(1,774,000)
Realized loss, net on forward contracts					582,000	582,000
Unrealized loss, net on forward contracts					(191,000)	(191,000)
Translation adjustment					8,547,000	8,547,000
Cumulative effect due to the adoption of uncertain tax positions				(6,082,000)		(6,082,000)
Issuance of common shares in connection with stock option exercises	563,510	7,000	4,787,000			4,794,000
Share-based compensation			1,216,000			1,216,000
Incremental tax benefit from exercise of non-qualified stock options			1,077,000			1,077,000
BALANCE AT JUNE 30, 2007	150,731,050	\$ 1,542,000	\$ 186,196,000	\$ 381,107,000	\$ 48,399,000	\$ 617,244,000

	Common Shares		Additional	Accumulated		
	Shares	Amount	Paid-In	Retained	Other	Total
			Capital	Earnings	Comprehensive Income	
BALANCE AT DECEMBER 31, 2005	148,455,864	\$ 1,513,000	\$ 157,796,000	\$ 274,200,000	\$ 16,948,000	\$ 450,457,000
Net income				31,734,000		31,734,000
Proceeds from subscription receivable			233,000			233,000
Unrealized loss, net on marketable securities					(1,043,000)	(1,043,000)
Unrealized gain, net on forward contracts					646,000	646,000
Translation adjustment					17,400,000	17,400,000
Issuance of common shares in connection with stock option exercises	1,021,570	13,000	6,303,000			6,316,000
Share-based compensation			144,000			144,000
Incremental tax benefit from exercise of non-qualified stock options			2,733,000			2,733,000

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BALANCE AT JUNE 30, 2006	149,477,434	\$ 1,526,000	\$ 167,209,000	\$ 305,934,000	\$ 33,951,000	\$ 508,620,000
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Table of Contents13. Comprehensive Income

The components of comprehensive income for the three- and six-month periods ended June 30, 2007 and 2006 are as follows:

	Three Months Ended June 30,	
	2007	2006
Net income	\$ 22,583,000	\$ 14,154,000
Net unrealized (loss) on marketable securities	(1,747,000)	(1,041,000)
Net realized (gain) on forward contracts	(236,000)	
Net unrealized gain (loss) on forward contracts	219,000	398,000
Foreign currency translation gain (loss) adjustments	3,967,000	12,438,000
 Comprehensive income	 \$ 24,786,000	 \$ 25,949,000

	Six Months Ended June 30,	
	2007	2006
Net income	\$ 42,450,000	\$ 31,734,000
Net unrealized (loss) on marketable securities	(1,774,000)	(1,043,000)
Net realized loss on forward contracts	582,000	
Net unrealized gain (loss) on forward contracts	(191,000)	646,000
Foreign currency translation gain (loss) adjustments	8,547,000	17,400,000
 Comprehensive income	 \$ 49,614,000	 \$ 48,737,000

The following table is a summary of the components of accumulated other comprehensive income as of June 30, 2007 and December 31, 2006:

	June 30,	December 31,
	2007	2006
Net unrealized gain on marketable securities	\$ (370,000)	\$ 1,404,000
Net unrealized gain (loss) on forward contracts, net of tax of \$35,000 and \$175,000 in 2007 and 2006, respectively	102,000	(289,000)
Transition adjustment upon adoption of FAS 158	(204,000)	(204,000)
Foreign currency translation adjustments	48,871,000	40,324,000
 Accumulated other comprehensive income	 \$ 48,399,000	 \$ 41,235,000

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

Pursuant to the purchase agreements for certain acquisitions, the Company could be required to make additional contingent cash payments totaling up to \$37.5 million based on the achievement of certain revenue and operating results milestones as follows: \$13.8 million in 2007, \$6.7 million in 2008, \$4.0 million in 2009, and \$13.0 million payable in any 12 month period from now until 2010 if revenues exceed certain amounts and \$1.0 million payable upon the grant of certain patent rights.

Commitments

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From time to time, the Company may be party to legal proceedings incidental to its business. As of June 30, 2007, 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.

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In the ordinary course of business, the Company warrants to customers that its products are free of defect and will conform to published specifications. Generally, the applicable product warranty period is one year from the date of delivery of the product to the customer or of site acceptance, if required. Additionally, the Company typically provides limited warranties with respect to its services. From time to time, the Company also makes other warranties to customers, including warranties that its products are manufactured in accordance with applicable laws and not in violation of third-party rights. The Company provides for estimated warranty costs at the time of the product sale. The Company believes its warranty reserve as of June 30, 2007 appropriately reflects the estimated cost of such warranty obligations.

15. Segment and Related Information

The Company manages its business based on the locations of its subsidiaries. Therefore, reportable segments are based on the geographic locations of the subsidiaries. In 2006, considering recent acquisitions, the Company revised its segment presentation. The Company's reportable segments include the Company's production, manufacturing and sales facilities located throughout the world. In addition, the Company's corporate segment includes its holding company located in The Netherlands and two subsidiaries located in Germany which operate only in a corporate support function. The reportable segments derive revenues from the Company's entire product and service offerings. It is not practicable to provide a detail of revenues for each group of similar products and services offered by the Company.

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

	Three Months Ended June 30,	
	2007	2006
Net Sales		
North America	\$ 93,959,000	\$ 78,611,000
Germany	68,484,000	52,847,000
Switzerland	12,688,000	9,297,000
Asia	14,846,000	9,619,000
Rest of World	35,969,000	26,273,000
Corporate	98,000	161,000
Subtotal	226,044,000	176,808,000
Intersegment Elimination	(91,005,000)	(63,575,000)
Total	\$ 135,039,000	\$ 113,233,000

	Six Months Ended June 30,	
	2007	2006
Net Sales		
North America	\$ 182,545,000	\$ 155,950,000
Germany	128,362,000	103,930,000
Switzerland	24,379,000	16,853,000
Asia	32,005,000	21,053,000
Rest of World	69,353,000	51,792,000
Corporate	181,000	299,000
Subtotal	436,825,000	349,877,000
Intersegment Elimination	(173,907,000)	(127,929,000)
Total	\$ 262,918,000	\$ 221,948,000

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

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	Three Months Ended June 30,	
	2007	2006
Intersegment Sales		
North America	\$ (39,700,000)	\$ (28,048,000)
Germany	(41,866,000)	(29,534,000)
Switzerland	(8,966,000)	(5,956,000)
Asia	(348,000)	(16,000)
Rest of World	(125,000)	(14,000)
Corporate		(7,000)
Total	\$ (91,005,000)	\$ (63,575,000)

	Six Months Ended June 30,	
	2007	2006
Intersegment Sales		
North America	\$ (78,261,000)	\$ (57,375,000)
Germany	(77,529,000)	(59,429,000)
Switzerland	(17,055,000)	(11,026,000)
Asia	(825,000)	(69,000)
Rest of World	(237,000)	(14,000)
Corporate		(16,000)
Total	\$ (173,907,000)	\$ (127,929,000)

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

	Three Months Ended June 30,	
	2007	2006
Operating Income (Loss)		
North America	\$ 11,460,000	\$ 8,508,000
Germany	18,895,000	11,495,000
Switzerland	(163,000)	(1,318,000)
Asia	599,000	1,533,000
Rest of World	6,228,000	3,045,000
Corporate	(1,765,000)	(3,305,000)
Subtotal	35,254,000	19,958,000
Intersegment Elimination	(4,217,000)	1,757,000
Total	\$ 31,037,000	\$ 21,715,000

	Six Months Ended June 30,	
	2007	2006
Operating Income (Loss)		
North America	\$ 22,976,000	\$ 20,047,000
Germany	32,287,000	23,771,000
Switzerland	(89,000)	(1,890,000)
Asia	2,762,000	4,003,000
Rest of World	11,990,000	7,375,000
Corporate	(3,751,000)	(4,107,000)
Subtotal	66,175,000	49,199,000
Intersegment Elimination	(6,342,000)	(2,239,000)
Total	\$ 59,833,000	\$ 46,960,000

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

	June 30,	December 31,
	2007	2006
Assets		
North America	\$ 324,596,000	\$ 313,599,000
Germany	376,862,000	352,173,000
Switzerland	91,032,000	93,134,000
Asia	70,635,000	71,580,000
Rest of World	106,649,000	103,205,000
Corporate	1,375,318,000	1,360,732,000
Subtotal	2,345,092,000	2,294,423,000
Intersegment Elimination	(1,083,417,000)	(1,082,411,000)
Total	\$ 1,261,675,000	\$ 1,212,012,000

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

16. Subsequent Events

On July 9, 2007, the Company completed the acquisition of eGene, Inc. (Nasdaq OTCBB: EGEL) pursuant to which eGene became a wholly-owned subsidiary of QIAGEN North American Holdings, Inc. eGene is an early-stage company located in Irvine, California that has developed and is commercializing a patented sample separation and analysis technology based on capillary electrophoresis. Under the terms of the agreement, eGene shareholders received \$0.65 in cash and 0.0416 common shares of QIAGEN stock per share of eGene common stock. The aggregate purchase consideration amounts to approximately \$34.0 million and consists of approximately \$15.5 million in cash and 1.0 million common shares of QIAGEN stock valued at \$17.0 million (based on the average closing prices of QIAGEN ordinary shares on the NASDAQ Global Select Market for the 20 trading days ending on April 12, 2007), as well as the assumption of certain liabilities in the amount of approximately \$1.5 million.

On June 3, 2007, the Company and Digene Corporation (NASDAQ: DIGE) announced that they had entered into a merger agreement, under which QIAGEN would acquire Digene in a transaction that consists of 55% cash and 45% QIAGEN ordinary shares in a transaction combining the Company's leading portfolio of sample and assay technologies, including a broad panel of molecular diagnostic tests, with Digene's leadership in HPV-targeted molecular diagnostic testing, creating a global leader in molecular diagnostics outside blood screening and viral load monitoring. On July 26, 2007, the Company successfully completed its exchange offer for all outstanding shares of common stock of Digene Corporation. At the time the exchange offer closed, 23,270,298 shares, representing approximately 94.6%, of Digene's outstanding common stock, had been tendered. Digene stockholders elected to receive QIAGEN ordinary shares in exchange for approximately 90% of the Digene shares tendered, and therefore proration of Digene common stock elections was required. At the close of business on July 26, 2007, the last day to submit exchange offer consideration election forms or notices of guaranteed delivery, there were 24,578,829 shares of Digene common stock outstanding. Digene shareholders who tendered Digene shares in the exchange offer and elected to receive cash consideration or did not make an election in respect of those shares, representing approximately 10.4% of the total tendered Digene shares, will receive \$61.25 per share of Digene common stock so tendered. Digene shareholders who tendered their shares in the exchange offer and elected to receive QIAGEN stock in respect of those shares, represent approximately 89.6% of the total tendered Digene shares. These shares are subject to the proration procedures. Giving effect to the proration procedures, such shareholders will receive for 50.2% of the shares of Digene common stock so tendered approximately 3.545 QIAGEN ordinary shares (with cash in lieu of fractional shares) for each Digene share and \$61.25 in cash for each of the remaining 49.8% of the Digene shares so tendered. On July 30, 2007, through a short-form merger under Delaware law, the Company acquired all other Digene shares at the same price and with the same election procedure (other than for those shares as to which holders properly exercise appraisal rights) offered in the exchange offer. At the completion of the merger, Digene became a wholly owned subsidiary of QIAGEN's affiliate QIAGEN North American Holdings, Inc. In the aggregate, the Company paid as consideration in the exchange offer and merger approximately \$784 million in cash and issued approximately 37 million QIAGEN ordinary shares.

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On July 13, 2007, the Company signed a Syndicated Multi-Currency Term Loan and Revolving Credit Facilities Agreement with Deutsche Bank AG, Deutsche Bank Luxembourg S.A., and the lenders named in the agreement. The lenders have agreed to make available an aggregate amount of \$750 million in the form of (1) a \$500 million term loan, (2) a \$100 million bridge loan, and (3) a \$150 million revolving credit facility. Under the agreement, the \$500 million term loan will mature in five years from the date of the agreement with an amortization schedule commencing on the second anniversary of the loan agreement, and the \$100 million bridge loan will mature in six months from the date of the agreement. The \$150 million credit facility will also expire in five years from the date of the agreement. The Company used a portion of the proceeds of the term loan and the bridge loan to pay the cash component of the Digene acquisition consideration and the fees and expenses of the Digene offer and the merger. The credit facility is available for general corporate purposes.

On July 30, 2007, the Company repaid debt of EUR 5.0 million (approximately \$6.8 million at June 30, 2007) which was due in June 2008, and a note payable of EUR 25.0 million (approximately \$33.8 million at June 30, 2007) which was due in annual installments through June 2011.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Note regarding Forward-Looking Statements and Risk Factors

Our future operating results may be affected by various risk factors, many of which are beyond our control. Certain of the statements included in this Report may be forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, including statements regarding potential future net sales, gross profit, net income and liquidity. These statements can be identified by the use of forward-looking terminology such as may, will, could, expect, anticipate, estimate, continue or other similar words. Reference is made in particular to the description of our plans and objectives for future operations, assumptions underlying such plans and objectives, and other forward-looking statements. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. We caution investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements as a result of various factors. When considering forward-looking statements, you should keep in mind that the risk factors could cause our actual results to differ significantly from those contained in any forward-looking statement.

In addition to the other information set forth in this Report, you should carefully consider the factors discussed in Part I, Item 3 under the heading *Risk Factors* in our Annual Report on Form 20-F for the year ended December 31, 2006, which could materially affect our business, financial condition or future results of operations. The risks described in our Annual Report on Form 20-F are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Results of Operations

Overview

We believe that we are the leading provider of innovative technologies and products for preanalytical sample preparation and linked molecular assay solutions, based on the nature of our products and technologies and on our United States and European market shares as supported by independent market studies. We have developed a comprehensive portfolio of more than 500 proprietary consumable products and automated solutions for sample collection, and nucleic acid and protein handling, separation, and purification. We also supply diagnostic kits, tests, and assays and instrumentation for human and veterinary molecular diagnostics. Our products are sold to academic research markets, and to leading pharmaceutical and biotechnology companies, as well as to diagnostics laboratories. We also provide purification and testing solutions to applied testing markets, such as forensics, animal and food testing, and pharmaceutical process control. We employ more than 2,000 people worldwide. We sell our products through a dedicated sales force and a global network of distributors in more than 40 countries.

Since 2001, we have had compound annual growth rate of approximately 13% in net sales and 24% in net income based on reported U.S. GAAP results. We have funded our growth through internally generated funds, debt, and private and public sales of equity securities. In recent years, we have made a number of strategic acquisitions and disposals expanding and focusing our technology and product offerings.

In April 2007, we announced that our subsidiary QIAGEN North American Holdings, Inc. has signed a definitive merger agreement with eGene, Inc. (Nasdaq OTCBB: EGEL) pursuant to which eGene would become a wholly-owned subsidiary of QIAGEN North American Holdings, Inc. eGene is an early-stage company located in Irvine, California that has developed and is commercializing a patented sample separation and analysis technology based on capillary electrophoresis. The acquisition was completed in July 2007.

On July 30, 2007, we completed the acquisition of Digene Corporation (NASDAQ: DIGE) through a tender offer and subsequent merger of Digene with and into a wholly owned subsidiary of QIAGEN N.V. At the completion of the merger, Digene became a wholly owned subsidiary of QIAGEN North American Holdings, Inc. In the aggregate, we paid as consideration in the exchange offer and merger approximately \$784 million in cash and issued approximately 37 million QIAGEN ordinary shares. The merger combines our leading portfolio of sample and assay technologies, including a broad panel of molecular diagnostic tests, with Digene's leadership in HPV-targeted molecular diagnostic testing, creating a global leader in molecular diagnostics outside blood screening and viral load monitoring.

On a consolidated basis, operating income increased to \$31.0 million in the three-month period ended June 30, 2007 from \$21.7 million in the same period of 2006, and in the six-month period ended June 30, 2007 increased to \$59.8 million from \$47.0 million in the same period in 2006. Our financial results include the contributions of our recent acquisitions, as well as the costs related to the acquisitions and integrations, including charges for purchased in-process research and

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development, and costs related to the relocation and closure of certain of our facilities formerly located in Norway, Canada and Fremont, California. Our results also reflect the benefits of our previous relocation and restructuring efforts, which have contributed to improved profitability as we continue to manage our operating costs.

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

The following tables set forth operating income by segment for the three and six months ended June 30, 2007 and 2006. Further segment information can be found in Note 15 in the accompanying financial statements.

Operating Income (Loss)	Three Months Ended June 30,	
	2007	2006
North America	\$ 11,460,000	\$ 8,508,000
Germany	18,895,000	11,495,000
Switzerland	(163,000)	(1,318,000)
Asia	599,000	1,533,000
Rest of World	6,228,000	3,045,000
Corporate	(1,765,000)	(3,305,000)
Subtotal	35,254,000	19,958,000
Intersegment Elimination	(4,217,000)	1,757,000
Total	\$ 31,037,000	\$ 21,715,000

Operating Income (Loss)	Six Months Ended June 30,	
	2007	2006
North America	\$ 22,976,000	\$ 20,047,000
Germany	32,287,000	23,771,000
Switzerland	(89,000)	(1,890,000)
Asia	2,762,000	4,003,000
Rest of World	11,990,000	7,375,000
Corporate	(3,751,000)	(4,107,000)
Subtotal	66,175,000	49,199,000
Intersegment Elimination	(6,342,000)	(2,239,000)
Total	\$ 59,833,000	\$ 46,960,000

In Germany, operating income was higher in the three- and six-month periods ended June 30, 2007 compared to the same periods of 2006 primarily due to an increase in sales partially offset by an increase in research and development expense as a result of intercompany transfers of technology and license agreements.

Operating income in North America increased in the three- and six-month periods ended June 30, 2007 compared to the same periods of 2006. The United States experienced an increase in sales, however, operating expenses in the United States were also higher as a result of the recent acquisitions, integrations and relocation efforts.

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In Switzerland, the decrease in operating loss in the in the three- and six-month periods ended June 30, 2007 compared to the same periods of 2006 was primarily due to an increase in instrumentation sales as well as a decrease in research and development expense as a result of intercompany transfers of technology and license agreements.

The net decrease in operating income in our Asia segment is primarily due to increases in operating income in China and our new expansions in Korea and Singapore, offset by results from our Japanese subsidiary which, during the three- and six-month periods ended June 30, 2007, experienced lower gross margins as compared to the same periods in 2006 as a result of intercompany transfer prices.

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The operating income increase in our Rest of World segment is primarily due to increased sales in the second quarter of 2007 as compared to the same period in 2006.

The decreased operating loss in our Corporate segment during the second quarter 2007 as compared to the same period in 2006, was primarily due to a decrease in 2007 compared to 2006 in acquisition related costs.

Second Quarter and Six Months Ended June 30, 2007 Compared to 2006

Net Sales

In the second quarter of 2007, net sales increased 19% to \$135.0 million compared to \$113.2 million in the second quarter of 2006. In the second quarter of 2007 compared to the same period in 2006, net sales in Germany increased 14%, net sales in Asia increased 51%, primarily driven by Singapore, China, and Korea, net sales in North America increased 7% and net sales in Rest of World increased 37%. The increase in sales was primarily the result of an increase in our consumables products sales which experienced a growth rate of 19% in the second quarter of 2007 as compared to the same period in 2006. The increase in consumable sales includes organic growth and sales from our recently acquired businesses. During the second quarter of 2007, sales from our instrumentation products increased 32% compared to the same period in 2006. Sales of our other offerings, primarily services, which represented 1% of our second quarter 2007 net sales, decreased 19% in the second quarter of 2007 as compared to the same period in 2006.

In the six-month period ended June 30, 2007, net sales increased 18% to \$262.9 million compared to \$221.9 million in the same period of 2006. In the six-month period ended June 30, 2007, net sales in Germany increased 14%, net sales in Asia increased 49%, primarily driven by increases in Singapore, China, and Korea, net sales in North America increased 6% and net sales in Rest of World increased 33%.

We regularly introduce new products in order to extend the life of our existing product lines as well as to address new market opportunities. During the second quarter of 2007, we introduced 22 new products in preanalytical sample management, assay technologies and molecular diagnostic assays. We also launched a new sample processing platform, the QIAcube, which allows users to fully automate the processing of almost all of our consumable products. The QIAcube, which we officially started shipping to customers in April, received the distinguished New Product Award Designation of the Association for Laboratory Automation in February 2007.

A significant portion of our revenues is denominated in euros and other currencies other than the United States dollar. Changes in exchange rates can affect the growth rate of net sales. For the three and six months ended June 30, 2007 as compared to the same periods in 2006, using the 2006 foreign exchange rates for both periods, net sales would have increased approximately 15% and 14%, respectively, as compared to the reported increase of 19% and 18%, respectively.

Gross Profit

Gross profit was \$93.5 million, or 69% of net sales, in the quarter ended June 30, 2007 as compared to \$79.3 million, or 70% of net sales, for the same period in 2006. For the year ended December 31, 2006, gross profit was 70% as a percentage of net sales. The absolute dollar increase in 2007 compared to 2006 is attributable to the increase in net sales. The gross margin of 69% in the second quarter of 2007 as compared to the gross margin of 70% in the second quarter of 2006 reflects the impact from the increase in instrument sales in 2007, including our new QIAcube instrument which began shipping in April 2007. Our consumable products have a higher gross margin than our instrumentation products and fluctuations in the sales levels of these products can result in fluctuation in our gross margin during a quarter when compared to the gross margin of another quarter. During the three-month periods ended June 30, 2007 and 2006, instrumentation sales represented approximately 10% and 9% of our total sales, respectively.

Gross profit for the six-month period ended June 30, 2007 was \$182.4 million, or 69% of net sales, as compared to \$154.7 million, or 70% of net sales, for the same period in 2006.

Research and Development

Research and development expenses increased 24% to \$12.7 million (9% of net sales) in the second quarter of 2007 compared to \$10.2 million (9% of net sales) in the same period of 2006. Using identical foreign exchange rates for both quarters, research and development expenses increased approximately 18%. Our recent acquisitions of new technologies have resulted in an increase in our research and development costs. As we continue to expand our research activities and product development capabilities, additional expense will be incurred related to research and development facility costs and the employees engaged in our research and development efforts. Additionally, our research and development costs are expected

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to increase as we incur costs in connection with obtaining 510(k) and CE approval of our artus and Genaco assays. We have a strong commitment to research and development and anticipate that research and development expenses will continue to increase, perhaps significantly.

For the six-month period ended June 30, 2007, research and development expenses increased 19% to \$24.2 million (9% of net sales) compared to \$20.4 million (9% of net sales) for the same period in 2006.

Sales and Marketing

Sales and marketing expenses increased 11% to \$32.0 million (24% of net sales) in the second quarter of 2007 from \$28.8 million (25% of net sales) in the same period of 2006. Using identical foreign exchange rates in each quarter, sales and marketing expenses increased 7%. Sales and marketing expenses are primarily associated with personnel, commissions, advertising, trade shows, publications, freight and logistics expenses and other promotional expenses. The increase in sales and marketing expenses in the three-month period ended June 30, 2007 as compared to the same period in 2006 includes expenses related to creating separate sales organizations addressing customers in industrial and academic research, applied testing and molecular diagnostics, as well as to sales organizations in our newly acquired or established subsidiaries. We anticipate that sales and marketing costs will increase along with new product introductions and continued growth in sales of our products.

Sales and marketing expenses increased 15% to \$63.3 million (24% of net sales) in the six-month period ended June 30, 2007 from \$55.2 million (25% of net sales) in the comparable period in 2006.

General and Administrative

General and administrative expenses increased 9% to \$13.7 million (10% of net sales) in the second quarter of 2007 from \$12.6 million (11% of net sales) in the same period of 2006. Using identical foreign exchange rates for both quarters, general and administrative expenses increased approximately 4%. General and administrative expenses primarily represent the costs required to support our administrative infrastructure which, except for the period following our restructuring, has continued to expand along with our growth. The increase in general and administrative expenses in the second quarter of 2007 is primarily the result of expenses related to our newer subsidiaries in Asia.

For the six-month period ended June 30, 2007, general and administrative expenses increased 13% to \$27.3 million (10% of net sales) from \$24.1 million (11% of net sales) in the same period of 2006.

Acquisition Related Intangible Amortization

Acquisition related intangible amortization relates to intangible assets acquired in our purchase business combinations. During the three and six-month periods ended June 30, 2007 and 2006, the amortization expense on acquisition related intangibles increased to \$2.7 million and \$5.3 million, in 2007 respectively, compared to \$1.9 million and \$3.4 million, in 2006, respectively. The increase in expense is the result of an increase in amortized intangibles acquired in our recent business combinations. We expect that our acquisition related intangible amortization will continue to increase as a result of our acquisitions.

Acquisition, Integration and Related Costs

During the three-month period ended June 30, 2007, we recorded costs of \$1.3 million related to the integration of recently acquired subsidiaries in North America and Asia. This amount includes \$104,000 in severance and employee related costs, \$891,000 in costs related to the integration of the recently acquired companies and \$301,000 in expenses relating to acquisitions which are no longer being pursued. During the six-month period ended June 30, 2007, we recorded costs of \$2.0 million which included \$221,000 in severance and employee related costs, and \$1.4 million in costs related to the integration of the recently acquired companies.

In connection with recent acquisitions during the three- and six-month periods ended June 30, 2006, we recorded charges of \$100,000 and \$300,000, respectively, for purchased in-process research and development and \$1.3 million and \$1.7 million, respectively, related to inventory which needed to be replaced with products suitable to the newly acquired technologies.

Costs related to acquisition and integration activities during the three- and six-month periods ended June 30, 2006 totaled \$3.2 million and \$3.5 million, respectively, and included \$523,000 and \$963,000 in severance and employee related costs, and costs related to acquisition integrations of \$493,000 and \$777,000, respectively. In addition, costs in the second quarter 2006 included \$2.1 million for the impairment of other assets.

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Relocation and Restructuring Costs

Relocation and restructuring costs recorded in the three- and six-months periods ended June 30, 2007 and 2006 are related to the restructurings of acquired businesses located in Norway and North America for which a restructuring was not contemplated at the time of acquisition. The relocations and restructurings are now complete.

In the six-month period ended June 30, 2007, these costs consisted primarily of relocation and severance costs of \$173,000, lease and facility costs of \$135,000 and other costs of \$170,000, \$70,000 of which was recorded during the second quarter of 2007. We expensed approximately \$785,000 of restructuring and relocation costs in the three- and six-month periods ended June 30, 2006. These costs consisted primarily of relocation and severance costs of \$440,000, lease and facility costs of \$181,000 and other costs of \$164,000. Charges related to these closures and relocations totaled approximately \$2.0 million.

Other Income (Expense)

Other income was \$1.5 million in the second quarter of 2007 compared to other income of \$1.7 million in the second quarter of 2006. This decrease in other income was mainly due to higher interest expense, partially offset by higher interest income.

For the quarter ended June 30, 2007, interest income increased to \$5.3 million from \$3.0 million in the same period of 2006. The increase in interest income was primarily the result of an increase in amounts invested during the second quarter of 2007 as compared to the same period in 2006, along with an increase in interest rates. At June 30, 2007, we had \$380.4 million in cash and cash equivalents compared to \$473.5 million at June 30, 2006. As of June 30, 2007, we had \$99.3 million invested in marketable securities, compared to \$10.0 million at June 30, 2006.

Interest expense increased to \$4.9 million in the second quarter of 2007 compared to \$1.9 million in 2006. Interest costs relate primarily to our long-term borrowings from QIAGEN Finance and the new borrowings from Euro Finance along with other long-term debt. The increase in interest expense in the three-month period ended June 30, 2007 as compared to the same period in 2006 is primarily due to the interest expense on the May 2006 borrowings from Euro Finance.

In the three months ended June 30, 2007, research and development grant income from European, as well as German, state and federal government grants increased to \$554,000 from \$222,000 in the same period of 2006. We conduct significant research and development activities in Germany, and expect to continue to apply for such research and development grants in the future.

In the three-month period ended June 30, 2007, we recorded a net gain from equity method investees of \$446,000 compared to \$253,000 in the same period of 2006. The gain primarily represents our share of profits from our equity investment in PreAnalytiX. As previously disclosed, we intend to continue to make strategic investments in complementary businesses as the opportunities arise. Accordingly, we may record losses on equity investments based on our ownership interest in such companies.

We recorded a loss from foreign currency transactions of \$22,000 in the second quarter of 2007 as compared to a gain of \$9,000 in the second quarter of 2006. The gain or loss 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 our subsidiaries' functional currencies are the European Union euro, the British pound, the Swiss franc, the Norwegian and Swedish kroners, the U.S. dollar, the Australian dollar, the Canadian dollar, the Singapore dollar, the Chinese yuan, the Malaysian ringgit, the Korean Won, the Hong Kong dollar and the Japanese yen. See Currency Fluctuations .

Provision for Income Taxes

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

In the three and six month periods ended June 30, 2007, the effective tax rate was 31% compared to the effective tax rate of 40% and 37% in the three and six month periods ended June 30, 2006, respectively, due to such fluctuations. Further, the effective tax rates during 2006 are higher as a result of non-recurring acquisition related charges which were recorded without any related tax benefit. Excluding these charges, the effective tax rates in the three and six month periods ended June 30, 2006 would have been approximately 37% and 34%, respectively. Effective January 1, 2007, The Netherlands corporate tax rate decreased to 25% from 29.6%. In addition, our newer subsidiaries in Asia, including Singapore and Korea which joined the consolidated group in the later half of 2006, have lower tax rates of 25% and 27%, respectively. Thus, in 2007, an increasing portion of our pre-tax income is attributable to subsidiaries with lower effective tax rates as compared to 2006. In future periods, we expect that the adoption of FIN 48 may result in greater volatility in the effective tax rate.

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Liquidity and Capital Resources

To date, we have funded our business primarily through internally generated funds, debt and private and public sales of equity. Our primary use of cash has been to support continuing operations and our capital expenditure requirements, including acquisitions. As of June 30, 2007 and December 31, 2006, we had cash and cash equivalents of \$380.4 million and \$430.3 million, respectively, and investments in current marketable securities of \$99.3 million and \$52.8 million, respectively. Cash and cash equivalents are primarily held in U.S. dollars, other than those cash balances maintained in the local currencies of our subsidiaries to meet local working capital needs. At June 30, 2007, cash and cash equivalents had decreased by \$50.0 million from December 31, 2006 primarily due to an investment in marketable securities of \$45.4 million. Marketable securities consist of fixed and floating rate debt instruments. As of June 30, 2007 and December 31, 2006, we had working capital of \$576.4 million and \$566.7 million, respectively.

Operating Activities. For the periods ended June 30, 2007 and 2006, we generated net cash from operating activities of \$35.1 million and \$45.9 million, respectively. Cash provided by operating activities decreased in 2007 compared to 2006 primarily due to increases in inventories, prepaid and other expenses and accounts receivable, partially offset by increases in net income, depreciation and amortization and accrued liabilities. Since we rely heavily on cash generated from operating activities to fund our business, a decrease in demand for our products or significant technological advances of competitors would have a negative impact on our liquidity.

Investing Activities. Approximately \$83.2 million of cash was used in investing activities during the period ended June 30, 2007, compared to \$61.3 million for the period ended June 30, 2006. Investing activities during 2007 consisted principally of purchases of property and equipment and cash paid for acquisitions, primarily milestone payments, purchases of marketable securities and the purchase of intangible assets.

In the third quarter of 2006, we began construction of a new logistics center located in Germany. The new facility opened during the second quarter of 2007 and occupies approximately 61,000 square feet and cost approximately EUR 9.0 million. The new logistics facility along with future expansions and acquisitions may result in increased investing activities compared to prior periods.

Financing Activities. Financing activities used \$783,000 in cash for the six months ended June 30, 2007, compared to \$294.2 million provided during the six months ended June 30, 2006. Cash used during the period was primarily due to the repayment of debt and capital lease payments, partially offset by the issuance of common shares as a result of stock option exercises, tax benefits from stock-based compensation and proceeds received in connection with agreements to issue shares to QIAGEN Finance and Euro Finance.

We have credit lines totaling \$17.3 million at variable interest rates, none of which was utilized as of June 30, 2007. We also have capital lease obligations, including interest, in the amount of \$12.8 million, and carry \$490.6 million of long-term debt.

We had a note payable of EUR 25.0 million, (approximately \$33.8 million at June 30, 2007) which bore interest at a variable interest rate of EURIBOR plus 0.75%, and was due in annual payments of EUR 5.0 million through June 2011, and a note payable of EUR 5.0 million (approximately \$6.8 million at June 30, 2007) which was due in June 2008. These notes were repaid in July 2007.

We have notes payable which are the long-term borrowings of the proceeds from the issuances of \$150.0 million senior unsubordinated convertible notes, with a 1.5% coupon due in 2024 through QIAGEN Finance (2004 Notes), and of \$300.0 million 3.25% senior convertible notes (2006 Notes) due in 2026 through QIAGEN Euro Finance (Luxembourg) S.A. (Euro Finance). QIAGEN Finance and Euro Finance are unconsolidated subsidiaries which were established for this purpose. At June 30, 2007, \$150.0 million and \$300.0 million are included in long-term debt for the amount of 2004 Notes and 2006 Notes payable to QIAGEN Finance and Euro Finance, respectively. The 2004 Notes have an effective rate of 1.95%, are due in August 2011 and are convertible into our common shares at a conversion price of \$12.6449, subject to adjustment. The 2006 Notes have an effective rate of 4.2%, are due in May 2013 and are convertible into shares of our common stock at a conversion price of \$20.00, subject to adjustment. QIAGEN N.V. has agreements with QIAGEN Finance and Euro Finance to issue shares to the investors in the event of conversion. These subscription rights, along with the related receivable, are recorded at fair value in the equity of QIAGEN N.V. as paid-in capital.

On July 13, 2007, we signed a Syndicated Multi-Currency Term Loan and Revolving Credit Facilities Agreement with Deutsche Bank AG, Deutsche Bank Luxembourg S.A., and the lenders named in the agreement. The lenders have agreed to make available to us an aggregate amount of \$750 million in the form of (1) a \$500 million term loan, (2) a \$100 million bridge loan, and (3) a \$150 million revolving credit facility. Under the agreement, the \$500 million term loan will mature in five years from the date of the agreement with an amortization schedule commencing on the second anniversary of the loan

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agreement, and the \$100 million bridge loan will mature in six months from the date of the agreement. The \$150 million credit facility will also expire in five years from the date of the agreement. We expect to use the proceeds of the term loan and the bridge loan to pay the cash component of the Digene acquisition consideration and the fees and expenses of the Digene offer and the merger. The credit facility is available for general corporate purposes.

We believe that funds from operations, existing cash and cash equivalents, together with the proceeds from our public and private sales of equity and convertible notes, and availability of financing facilities as needed, will be sufficient to fund our planned operations and expansion during the coming year.

Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

Changes in interest rates affect interest income earned on the Company's cash equivalents and investments, as well as interest expense on variable interest rate borrowings. Based on the Company's investment balances, and current borrowing levels as of June 30, 2007, a hypothetical 10 percent increase or decrease in the interest rate associated with these instruments, with all other variables held constant, would not materially affect the Company's future earnings and cash outflows.

Currency Fluctuations

We operate on an international basis. A significant portion of our revenues and expenses are earned and incurred in currencies other than the U.S. dollar. The euro is the most significant such currency, with others including the British pound, Japanese yen, Swiss franc and Canadian and Australian dollars. Fluctuations in the value of the currencies in which we conduct our business relative to the U.S. dollar have caused and will continue to cause U.S. dollar translations of such currencies to vary from one period to another. Due to the number of currencies involved, the constantly changing currency exposures, and the potential substantial volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations upon future operating results. However, because we have substantial expenses as well as revenues in each of our principal functional currencies, the exposure of our financial results to currency fluctuations is reduced. In general terms, depreciation of the U.S. dollar against our other foreign currencies, such as occurred in 2006 with respect to the euro, will increase reported net sales. However, this impact normally will be at least partially offset in the results of operations by gains or losses from foreign currency transactions.

Currency Hedging

In the ordinary course of business, we purchase instruments with which we intend to hedge foreign currency fluctuations with the principal objective of minimizing the risks and/or costs associated with global financial and operating activities. Generally, we hedge a majority of the anticipated cash flow that we expect to exchange into other currencies, subject to our short-term financing needs. We do not utilize financial instruments for trading or other speculative purposes.

Our German and Swiss subsidiaries have forward arrangements which qualify for hedge accounting as cash flow hedges of foreign-currency-denominated liabilities. These forward contracts total \$44.0 million as a hedge to currency risk on intercompany loans. The contracts mature in July 2011. The gain or loss on the change in the fair values of the derivatives are included in earnings to the extent they offset the earnings impact of changes in the fair values of the hedged obligations. Any difference is deferred in accumulated comprehensive income, a component of shareholders' equity. These contracts effectively fix the exchange rate at which the intercompany loans will be settled in, so that gains or losses on the forward contracts offset the losses or gains from changes in the value of the underlying intercompany loans.

We have two additional forward arrangements which qualify as cash flow hedges of foreign-currency-denominated liabilities. At June 30, 2007, we held a contract for CND 8.0 million which matures in February 2008. Additionally, we held a contract for JPY 160.0 million which matures in March 2008.

Table of Contents**Foreign Currency Exchange Rate Risk**

We have significant production and manufacturing facilities located in Germany and Switzerland, and intercompany sales of inventory expose us to foreign currency exchange rate risk. Intercompany sales of inventory are generally denominated in the local currency of the subsidiary purchasing the inventory in order to centralize foreign currency risk with the manufacturing subsidiary. Payment for intercompany purchases of inventory is required within 30 days from invoice date. The delay between the date the manufacturing subsidiaries record revenue and the date when the payment is received from the purchasing subsidiaries exposes us to foreign exchange risk. The exposure results primarily from those transactions between the manufacturing subsidiaries and the U.S.

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

Application of Critical Accounting Policies

The preparation of our financial statements in accordance with accounting principles generally accepted in the United States requires management to make assumptions that affect the reported amounts of assets, liabilities and disclosure of contingencies as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Critical accounting policies are those that require the most complex or subjective judgments often as a result of the need to make estimates about the effects of matters that are inherently uncertain. Thus, to the extent that actual events differ from management's estimates and assumptions, there could be a material impact to the financial statements. In applying our critical accounting policies, at times we used accounting estimates that either required us to make assumptions about matters that were highly uncertain at the time the estimate was made or it is reasonably likely that changes in the accounting estimate may occur from period to period that would have a material impact on the presentation of our results of operations, financial position or cash flows. Our critical accounting policies are those related to revenue recognition, accounts receivable, investments, goodwill and other intangible assets, share-based compensation and income taxes. We reviewed the development, selection, and disclosure of our critical accounting policies and estimates with the Audit Committee of our Supervisory Board.

Revenue Recognition. We recognize revenue in accordance with SEC Staff Accounting Bulletin No. 104, Revenue Recognition in Financial Statements (SAB 104). SAB 104 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) could require management's judgments regarding the fixed nature of the fee charged for services rendered and products delivered and the collectibility of those fees. Should changes in conditions cause management to determine that these criteria are not met for certain future transactions, revenue recognized for any reporting period could be adversely affected.

Accounts Receivable. Our accounts receivable are unsecured, and we are at risk to the extent such amounts become uncollectible. We continually monitor accounts receivable balances, and provide for an allowance for doubtful accounts at the time collection may become questionable based on payment history or age of the receivable. Since a significant portion of our customers are funded through academic or government funding arrangements, past history may not be representative of the future. As a result, we may have write-offs of accounts receivable in excess of previously estimated amounts or may in certain periods increase or decrease the allowance based on management's current estimates.

Investments. We have equity investments accounted for under the cost method. We periodically review the carrying value of these investments for permanent impairment, considering factors such as the most recent stock transactions, book values from the most recent financial statements, and forecasts and expectations of the investee. Estimating the fair value of these non-marketable equity investments in life science companies is inherently subjective, and if actual events differ from management's assumptions, it could require a write-down of the investment that could materially impact our financial position and results of operations.

In addition, generally accepted accounting principles require different methods of accounting for an investment depending on the level of control that we exert. Assessing the level of control involves subjective judgments. If management's assumptions with respect to control differ in future periods, and we therefore have to account for these investments under a method other than the cost method, it could have a material impact to our financial statements.

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Goodwill and Other Intangible Assets. We account for acquisitions under the purchase method of accounting, typically resulting in goodwill. Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, requires us to assess goodwill for impairment at least annually in the absence of an indicator of possible impairment and immediately upon an indicator of possible impairment. The statement requires estimates of the fair value of our reporting units. If we determine that the fair values are less than the carrying amount of goodwill recorded, we must recognize an impairment in our financial statements. Due to the numerous variables associated with our judgments and assumptions relating to the valuation of the reporting units and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates are subject to uncertainty, and as additional information becomes known, we may change our estimate.

Share-Based Compensation. Our stock plan, the QIAGEN N.V. Amended and Restated 2005 Stock Plan (the Plan), allows for the granting of stock rights, incentive stock options, as well as for non-qualified options, stock grants and stock based awards. Effective January 1, 2006, we adopted the provisions of FASB Statement No. 123 (revised 2004), *Share-Based Payment*, (SFAS 123(R)) and SEC Staff Accounting Bulletin No. 107, *Share-Based Payment*, (SAB 107), using the modified prospective transition method. Under the modified prospective transition method, compensation cost recognized in 2006 includes compensation cost for all equity-based payments granted prior to, but not yet vested as of, January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123 and compensation cost for all equity-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R).

We use the Black-Scholes-Merton valuation model for estimating the fair value of our stock option grants. Option valuation models, including Black-Scholes-Merton, require the input of highly subjective assumptions, including the risk-free rate of interest, expected dividend yield, expected volatility, and the expected life of the award. Changes in the assumptions used can materially affect the grant date fair value of an award.

Income Taxes. The calculation of our tax provision is complex due to the international operations and multiple taxing jurisdictions in which we operate. We have significant deferred tax assets due to net operating losses (NOL), the utilization of which is not assured and is dependent on generating sufficient taxable income in the future. Although management believes it is more likely than not that we will generate sufficient taxable income to utilize all NOL carryforwards, evaluating the NOLs related to our newer subsidiaries requires us to make estimates that we believe are reasonable, but may also be highly uncertain given that we do not have direct experience with such subsidiaries or their products, and thus the estimates also may be subject to significant changes from period to period as we gain that experience. To the extent that our estimates of future taxable income are insufficient to utilize all available NOLs, a valuation allowance will be recorded in the provision for income taxes in the period the determination is made, and the deferred tax assets will be reduced by this amount, which could be material. In the event that actual circumstances differ from management's estimates, or to the extent that these estimates are adjusted in the future, any changes to the valuation allowance could materially impact our financial position and results of operations.

The above listing is not intended to be a comprehensive list of all our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles in the United States, with limited or no need for management's judgment. There are also areas in which management's judgment in selecting available alternatives may or may not produce a materially different result. See our audited consolidated financial statements and notes thereto in our Annual Report on Form 20-F for the year ended December 31, 2006 which contains a description of accounting policies and other disclosures required by generally accepted accounting principles in the United States.

Authoritative Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, (SFAS 157). SFAS 157 provides guidance for using fair value to measure assets and liabilities and only applies when other standards require or permit the fair value measurement of assets and liabilities. It does not expand the use of fair value measurement. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We will adopt this standard as required on January 1, 2008, and management is currently assessing the effect SFAS 157 will have on our results of operations, financial condition and liquidity.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, (SFAS 159). SFAS 159 expands opportunities to use fair value measurement in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We have not decided if we will adopt SFAS 159 early or if we will choose to measure any eligible financial assets and liabilities at fair value.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

QIAGEN N.V.

By: /s/ Roland Sackers
Roland Sackers
Chief Financial Officer
Date: August 14, 2007