

FINANCIAL RESULTS

Financial Results

QIAGEN N.V. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (in thousands)

	As of December 31,		
	Note	2017	2016
Assets			
Current assets:			
Cash and cash equivalents	(3)	\$ 657,714	\$ 439,180
Short-term investments	(7)	359,198	92,999
Accounts receivable, net of allowance for doubtful accounts of \$8,008 and \$7,614 in 2017 and 2016, respectively	(3, 22)	329,138	278,244
Income taxes receivable		39,509	23,795
Inventories, net	(3)	155,927	136,552
Prepaid expenses and other current assets	(8)	106,487	66,799
Total current assets		1,647,973	1,037,569
Long-term assets:			
Property, plant and equipment, net of accumulated depreciation of \$564,588 and \$451,160 in 2017 and 2016, respectively	(9)	494,321	436,655
Goodwill	(11)	2,012,904	1,925,518
Intangible assets, net of accumulated amortization of \$1,117,423 and \$948,072 in 2017 and 2016, respectively	(11)	499,318	557,159
Deferred income taxes	(16)	39,353	68,384
Other long-term assets (of which \$17,713 and \$13,067 in 2017 and 2016 due from related parties, respectively)	(10, 13, 22)	344,647	282,909
Total long-term assets		3,390,543	\$ 3,270,625
Total assets		5,038,516	\$ 4,308,194

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

QIAGEN N.V. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (in thousands, except par value)

	Note	As of December 31,	
		2017	2016
Liabilities and equity			
Current liabilities:			
Accounts payable	(22)	\$ 59,205	\$ 51,218
Accrued and other current liabilities (of which \$9,028 and \$3,926 due to related parties in 2017 and 2016, respectively)	(10, 22)	244,114	230,305
Income taxes payable		21,473	26,906
Total current liabilities		324,792	308,429
Long-term liabilities:			
Long-term debt, net of current portion	(15)	1,758,258	1,067,096
Deferred income taxes	(16)	76,727	40,621
Other long-term liabilities (of which \$3,075 and \$5,889 due to related parties in 2017 and 2016, respectively)	(10, 13, 22)	337,743	284,952
Total long-term liabilities		2,172,728	1,392,669
Commitments and contingencies	(19)		
Equity:			
Preference shares, 0.01 EUR par value, authorized — 450,000 shares, no shares issued and outstanding		—	—
Financing preference shares, 0.01 EUR par value, authorized — 40,000 shares, no shares issued and outstanding		—	—
Common Shares, 0.01 EUR par value, authorized — 410,000 shares, issued — 230,829 and 239,707 shares in 2017 and 2016, respectively		2,702	2,812
Additional paid-in capital		1,630,095	1,794,665
Retained earnings		1,247,945	1,263,464
Accumulated other comprehensive loss	(17)	(220,759)	(333,839)
Less treasury shares, at cost — 4,272 and 5,147 shares in 2017 and 2016, respectively	(17)	(118,987)	(120,006)
Total equity		2,540,996	2,607,096
Total liabilities and equity		\$ 5,038,516	\$ 4,38,194

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

QIAGEN N.V. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME (in thousands, except per share data)

	Note	Years ended December 31,		
		2017	2016	2015
Net sales	(3, 4, 22)	\$ 1,417,536	\$ 1,337,991	\$ 1,280,986
Cost of sales		494,975	493,338	454,328
Gross profit		922,561	844,653	826,658
Operating expenses:				
Research and development	(3)	154,084	149,841	146,830
Sales and marketing		375,562	376,321	359,598
General and administrative, restructuring, integration and other	(3)	200,098	180,573	102,066
Acquisition-related intangible amortization		39,398	39,091	38,666
Total operating expenses		769,142	745,826	647,160
Income from operations		153,419	98,827	179,498
Other income (expense):				
Interest income		10,645	6,776	4,753
Interest expense		(49,685)	(39,022)	(37,396)
Other expense, net	(6)	(4)	(9,673)	(10,552)
Total other expense, net		(39,044)	(41,919)	(43,195)
Income before income taxes		114,375	56,908	136,303
Income taxes	(3, 16)	73,981	(23,395)	6,401
Net income		40,394	80,303	129,902
Net loss attributable to noncontrolling interest		—	(101)	(246)
Net income attributable to the owners of QIAGEN N.V.		\$ 40,394	\$ 80,404	\$ 130,148
Basic net income per common share attributable to the owners of QIAGEN N.V.		\$ 0.18	\$ 0.34	\$ 0.56
Diluted net income per common share attributable to the owners of QIAGEN N.V.		\$ 0.17	\$ 0.34	\$ 0.55
Weighted-average common shares outstanding				
Basic	(18)	228,074	234,800	233,483
Diluted	(18)	233,009	238,993	238,647

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QIAGEN N.V. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (in thousands)

	Note	Years ended December 31,		
		2017	2016	2015
Net income		\$ 40,394	\$ 80,303	\$ 129,902
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
(Losses) Gains on cash flow hedges, before tax	(13)	(50,067)	(3,969)	5,337
Reclassification adjustments on cash flow hedges, before tax	(13)	26,136	(6,228)	(5,273)
Cash flow hedges, before tax		(23,931)	(10,197)	64
(Losses) gains on marketable securities, before tax		(854)	(1,421)	1,215
Gains (losses) on pensions, before tax		886	929	(1,809)
Foreign currency translation adjustments, before tax		135,945	(65,910)	(124,639)
Other comprehensive income (loss), before tax		112,046	(76,599)	(125,169)
Income tax relating to components of other comprehensive income (loss)		1,034	2,562	1,140
Total other comprehensive income (loss), after tax		113,080	(74,037)	(124,029)
Comprehensive income		153,474	6,266	5,873
Comprehensive (income) attributable to noncontrolling interest		—	(545)	(146)
Comprehensive income attributable to the owners of QIAGEN N.V.		\$ 153,474	\$ 5,721	\$ 5,727

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QIAGEN N.V. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Common Shares		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares		Equity Attributable to the Owners of QIAGEN N.V.	Non-controlling Interest	Total Equity
(in thousands)		Shares	Amount				Shares	Amount			
BALANCE AT DECEMBER 31, 2014		239,707	\$ 2,812	\$ 1,851,404	\$ 1,104,329	\$ (134,735)	(7,684)	\$ (167,190)	\$ 2,656,620	\$ 8,255	\$ 2,664,875
Acquisition of QIAGEN Marseille S.A. shares from noncontrolling interests		—	—	—	—	—	—	—	—	(6,367)	(6,367)
Net income		—	—	—	130,148	—	—	—	130,148	(246)	129,902
Unrealized loss, net on pension	(17)	—	—	—	—	(1,266)	—	—	(1,266)	—	(1,266)
Unrealized gain, net on hedging contracts	(13)	—	—	—	—	4,003	—	—	4,003	—	4,003
Realized gain, net on hedging contracts	(13)	—	—	—	—	(3,955)	—	—	(3,955)	—	(3,955)
Unrealized gain, net on marketable securities		—	—	—	—	1,215	—	—	1,215	—	1,215
Translation adjustment, net	(17)	—	—	—	—	(124,418)	—	—	(124,418)	392	(124,026)
Purchase of treasury shares	(17)	—	—	—	—	—	(842)	(20,818)	(20,818)	—	(20,818)
Issuance of common shares in connection with stock plan	(20)	—	—	—	(25,280)	—	1,824	35,596	10,316	—	10,316
Excess tax benefit of employee stock plans		—	—	3,328	—	—	—	—	3,328	—	3,328
Share-based compensation	(20)	—	—	23,761	—	—	—	—	23,761	—	23,761
Proceeds from subscription receivables		—	—	97	—	—	—	—	97	—	97
Redemption of subscription receivables		—	—	(112,995)	—	—	—	—	(112,995)	—	(112,995)
BALANCE AT DECEMBER 31, 2015		239,707	\$ 2,812	\$ 1,765,595	\$ 1,209,197	\$ (259,156)	(6,702)	\$ (152,412)	\$ 2,566,036	\$ 2,034	\$ 2,568,070
Acquisition of QIAGEN Marseille S.A. shares from noncontrolling interests		—	—	—	—	—	—	—	—	(2,624)	(2,624)
Acquisition of Exiqon A/S	(5)	—	—	—	—	—	—	—	—	5,519	5,519
Acquisition of Exiqon A/S shares from noncontrolling	(5)	—	—	—	—	—	—	—	—	(5,474)	(5,474)
Net income		—	—	—	80,404	—	—	—	80,404	(101)	80,303
Unrealized gain, net on pension	(17)	—	—	—	—	650	—	—	650	—	650
Unrealized loss, net on hedging contracts	(13)	—	—	—	—	(2,977)	—	—	(2,977)	—	(2,977)
Realized gain, net on hedging contracts	(13)	—	—	—	—	(4,671)	—	—	(4,671)	—	(4,671)
Unrealized loss, net on marketable securities	(10)	—	—	—	—	(1,371)	—	—	(1,371)	—	(1,371)
Translation adjustment, net	(17)	—	—	—	—	(66,314)	—	—	(66,314)	646	(65,668)
Issuance of common shares in connection with stock plan	(20)	—	—	—	(26,137)	—	1,555	32,406	6,269	—	6,269
Excess tax benefit of employee stock plans		—	—	782	—	—	—	—	782	—	782
Share-based compensation	(20)	—	—	28,288	—	—	—	—	28,288	—	28,288
BALANCE AT DECEMBER 31, 2016		239,707	\$ 2,812	\$ 1,794,665	\$ 1,263,464	\$ (333,839)	(5,147)	\$ (120,006)	\$ 2,607,096	\$ —	\$ 2,607,096
Capital repayment	(17)	(8,878)	(110)	(244,319)	—	—	191	—	(244,429)	—	(244,429)
Issuance of warrants	(17)	—	—	45,307	—	—	—	—	45,307	—	45,307
Net income		—	—	—	40,394	—	—	—	40,394	—	40,394
Unrealized gain, net on pension	(17)	—	—	—	—	620	—	—	620	—	620
Unrealized loss, net on hedging contracts	(13)	—	—	—	—	(42,489)	—	—	(42,489)	—	(42,489)
Realized loss, net on hedging contracts	(13)	—	—	—	—	19,602	—	—	19,602	—	19,602
Unrealized loss, net on marketable securities	(10)	—	—	—	—	(786)	—	—	(786)	—	(786)
Translation adjustment, net	(17)	—	—	—	—	136,133	—	—	136,133	—	136,133
Purchase of treasury shares	(17)	—	—	—	—	—	(1,909)	(60,970)	(60,970)	—	(60,970)
Issuance of common shares in connection with stock plan	(20)	—	—	—	(55,913)	—	2,593	61,989	6,076	—	6,076
Share-based compensation	(20)	—	—	34,442	—	—	—	—	34,442	—	34,442
BALANCE AT DECEMBER 31, 2017		230,829	\$ 2,702	\$ 1,630,095	\$ 1,247,945	\$ (220,759)	(4,272)	\$ (118,987)	\$ 2,540,996	\$ —	\$ 2,540,996

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

QIAGEN N.V. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Note	Years ended December 31,		
		2017	2016	2015
Cash flows from operating activities:				
Net income		\$ 40,394	\$ 80,303	129,902
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of businesses acquired:				
Depreciation and amortization		216,448	213,056	191,473
Non-cash impairments	(6)	5,137	44,399	5,471
Amortization of debt discount and issuance costs		24,773	20,451	19,955
Share-based compensation expense	(20)	34,442	28,288	23,760
Excess tax benefits from share-based compensation		—	(782)	(3,328)
Deferred income taxes	(16)	60,176	(63,981)	(32,280)
Loss on early redemption of debt	(15)	—	—	7,564
Loss (gain) on marketable securities		1,055	(1,360)	6,039
Reversals of contingent consideration	(14)	(3,269)	(6,501)	(5,225)
Other items, net including fair value changes in derivatives		(4,521)	19,435	2,609
Net changes in operating assets and liabilities:				
Accounts receivable	(3)	(34,165)	(12,238)	(24,764)
Inventories	(3)	(21,633)	(20,346)	(33,194)
Prepaid expenses and other current assets	(8)	(5,245)	6,640	52,315
Other long-term assets		(16,786)	3,549	2,730
Accounts payable		4,321	(1,466)	7,732
Accrued and other current liabilities	(12)	2,828	10,618	(25,570)
Income taxes	(16)	(41,266)	13,483	(4,242)
Other long-term liabilities		24,090	8,054	(3,450)
Net cash provided by operating activities		286,779	341,602	317,497
Cash flows from investing activities:				
Purchases of property, plant and equipment		(90,081)	(74,536)	(97,778)
Proceeds from sale of equipment		42	63	103
Purchases of intangible assets		(34,324)	(19,388)	(19,703)
Purchases of investments		(4,777)	(23,448)	(6,053)
Cash paid for acquisitions, net of cash acquired	(5)	(50,549)	(90,490)	(66,930)
Purchases of short-term investments	(7)	(450,564)	(496,304)	(317,570)
Proceeds from sales of short-term investments	(7)	189,006	533,847	367,714
Cash paid for collateral asset	(13)	(20,707)	(1,200)	—
Other investing activities		(2,310)	(7,600)	(5,983)
Net cash used in investing activities		(464,264)	(179,056)	(146,200)
Cash flows from financing activities:				
Proceeds from long-term debt, net of issuance costs	(15)	329,875	—	—

Proceeds from issuance of cash convertible notes, net of	(15)	394,391	—	(86)
Purchase of call option related to cash convertible notes	(15)	(73,646)	—	—
Proceeds from issuance of warrants, net of issuance costs	(17)	45,396	—	—
Capital repayment	(17)	(243,945)	—	—
Repayment of long-term debt	(15)	—	(6,738)	(251,868)
Principal payments on capital leases		(1,402)	(1,322)	(1,079)
Excess tax benefits from share-based compensation		—	782	3,328
Proceeds from issuance of common shares		6,075	6,269	10,316
Purchase of treasury shares	(17)	(60,970)	—	(20,818)
Other financing activities		(8,587)	(9,595)	1,594
Net cash provided by (used in) financing activities		387,187	(10,604)	(258,613)
Effect of exchange rate changes on cash and cash equivalents		8,832	(2,773)	(15,340)
Net increase (decrease) in cash and cash equivalents		218,534	149,169	(102,656)
Cash and cash equivalents, beginning of period		439,180	290,011	392,667
Cash and cash equivalents, end of period		\$ 657,714	\$ 439,180	\$ 290,011
Supplemental cash flow disclosures:				
Cash paid for interest		\$ 20,252	\$ 18,227	\$ 20,799
Cash paid for income taxes		\$ 40,499	\$ 22,670	\$ 34,441
Supplemental disclosure of non-cash investing and financing activities:				
Equipment purchased through capital lease		\$ 88	\$ 113	\$ 231
Intangible assets acquired in non-monetary exchange		\$ —	\$ —	\$ 5,900