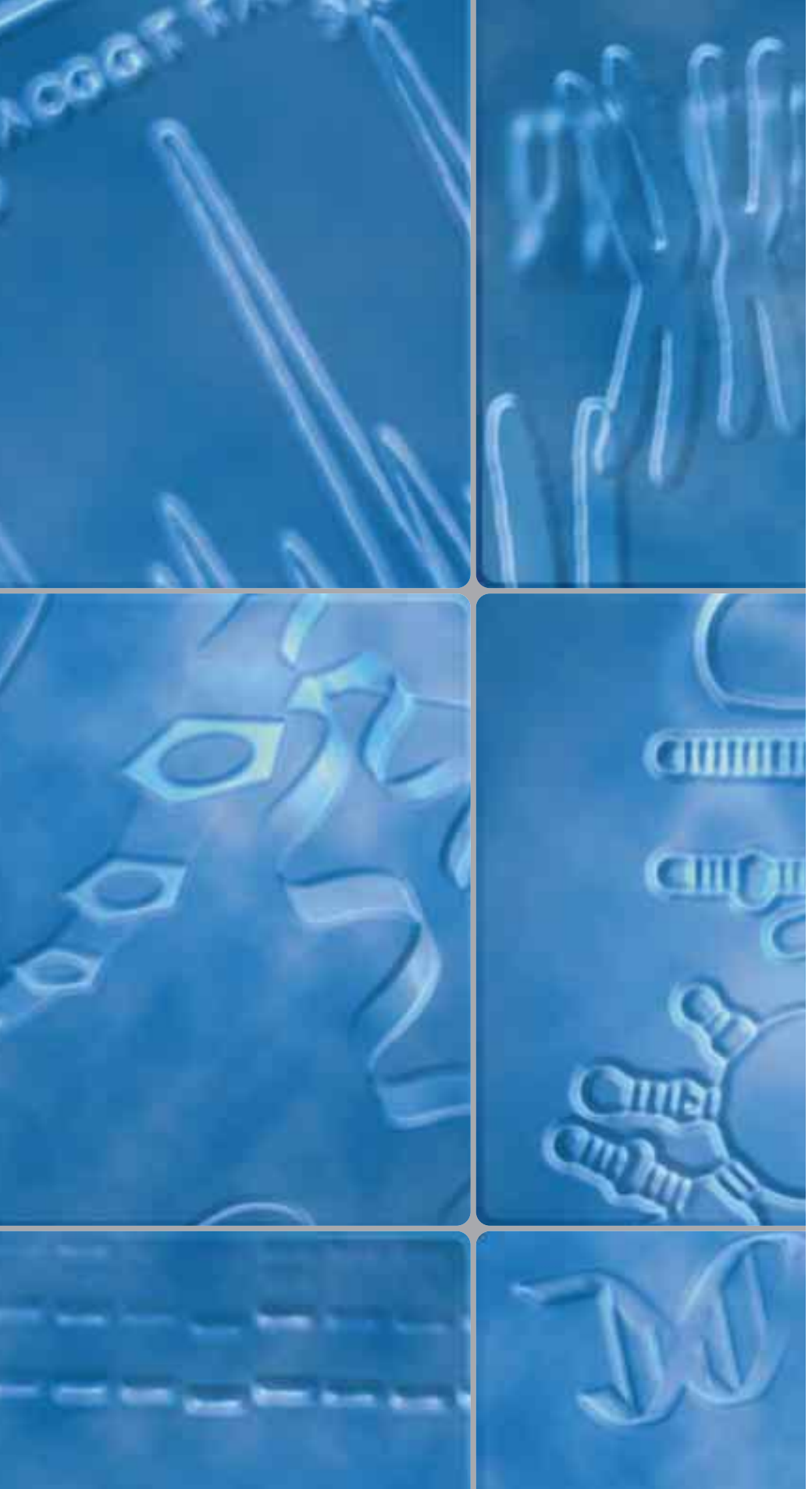


QIAGEN N.V.

Annual Report 1997

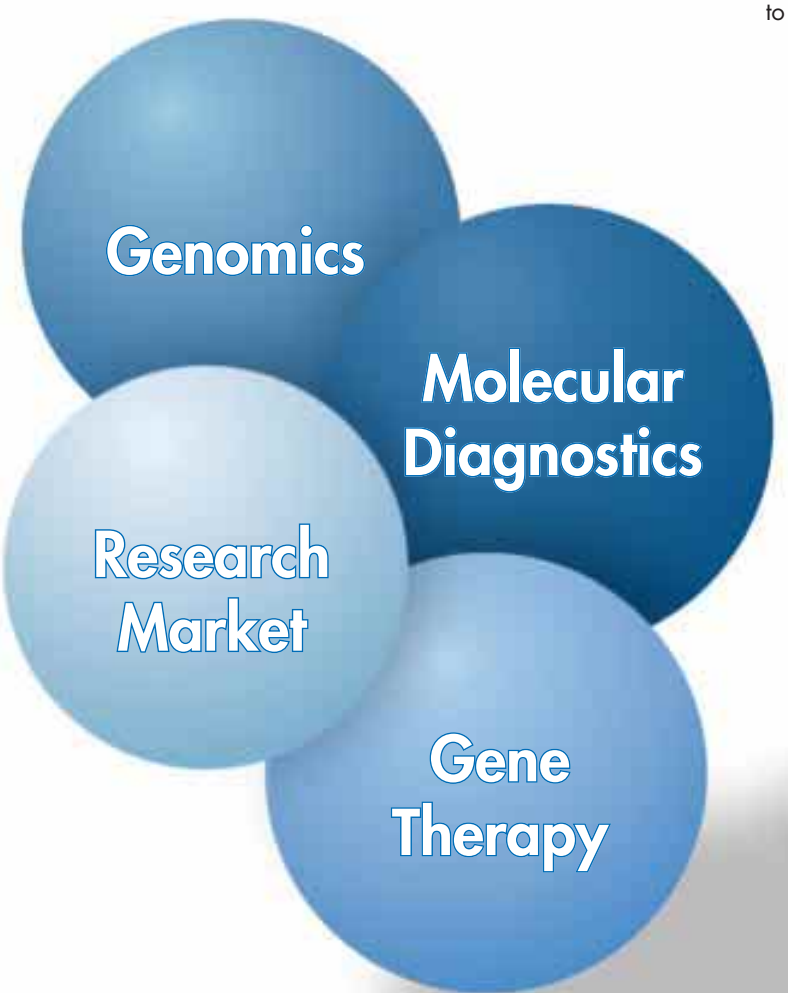
QIAGEN

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

The ongoing rapid increase in the understanding of DNA and RNA and their potential uses is leading to the development of new commercial markets such as DNA sequencing and gene chip analysis for genomics and drug discovery, DNA- and RNA-based molecular diagnostics, and genetic vaccination and gene therapy.

We believe that these new markets will lead to a host of new ways to benefit from genetic information — from curing and preventing the root causes of disease rather than treating the symptoms, to gathering and analyzing evidence to identify individuals and infectious agents more effectively. All of these exciting new markets share a crucial need — purified DNA and RNA.

With our expertise and experience in DNA and RNA purification, broad technology portfolio, experienced and dedicated employees, tradition of innovation, and leading position in the research market from which most of these industries are developing, QIAGEN is ideally positioned to grow and succeed.



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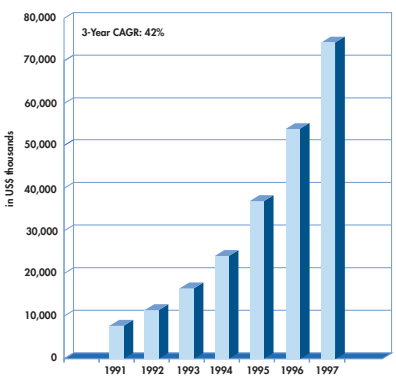
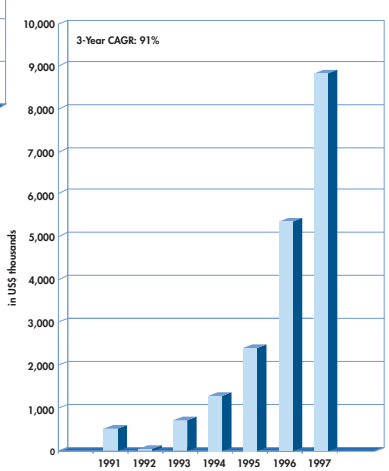
Financial Highlights

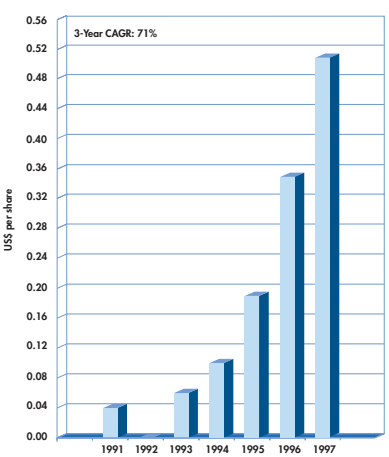
Net Sales



Net Income



Earnings per Share



QIAGEN Supervisory Board with
QIAGEN Management Board

From left to right, standing:
Mr. Peer M. Schatz; Dr. Franz A. Wirtz;
Mr. Erik Hornnaess; Prof. Dr. Detlev H. Riesner.

From left to right, sitting:
Mr. Peter Kaleschke; Mr. Jochen Walter;
Prof. Dr. jur. Carsten P. Claussen; Dr. Metin Colpan.

Dear Fellow Shareholders,

The QIAGEN Supervisory Board reviewed the activities of QIAGEN N.V. and its management continually throughout the financial year. Based on the information regularly supplied to the Supervisory Board by the Management Board at joint meetings and in both written and verbal reports, the Supervisory Board monitored the Company, focusing in particular on the growth and risks of the Company's business, its R&D investments, long-term strategy, investment budget, cooperation and acquisition possibilities, and other important Company issues. In addition to participating in these regular meetings, the Chairman of the Supervisory Board was also informed about the main business transactions in frequent discussions with the Chairman of the Management Board and the Chief Financial Officer.

The Audit and Compensation Committees are composed of members of the Supervisory Board. Both of these Committees have fulfilled their legal and intended objectives.

The financial statements proposed by the Management Board are contained in this Annual Report, and have been audited and reported on by Arthur Andersen LLP (Independent Public Accountants), and examined and approved by the Supervisory Board. We recommend that our shareholders adopt these financial statements, including allocation of profits to retained earnings, at the Annual Meeting.

QIAGEN N.V. is a limited liability company incorporated under the law of the Netherlands. The common shares of the Company are registered and traded in the U.S. on the NASDAQ system, and are registered and traded in Germany on the Neuer Markt division of the Frankfurt Stock Exchange. We believe that the majority of our shares are held by shareholders in the United States and in Germany. Thus, the Company, the Supervisory Board, and the Management Board are required to follow Dutch Corporation Law; U.S. Federal Securities Law and Regulations; and the laws of the German capital market, in particular the Börsengesetz and the Wertpapierhandelsgesetz.

The Supervisory Board follows the principle of increasing shareholder value to further the interests of all shareholders, and has noted the report of the Netherlands Committee on Corporate Governance with great interest. The Supervisory Board generally endorses the 40 recommendations made in this report. It is Company policy to follow the guidelines for good practice of corporate governance as described in this report. Some minor deviations are the result of the legal situation and structure of QIAGEN N.V. as described above.

Mr. Peter Kaleschke from Techno Venture Management will not be standing for reelection to the Supervisory Board and will thus give up his position at the next Annual Meeting. The Supervisory Board would like to take this opportunity to thank Mr. Kaleschke for his years of loyal service and knowledgeable advice.

We have proposed Mr. Erik Hornnaess, who previously held various management positions at ASTRA AB, Sweden, and Abbott Laboratories, Europe, to become a new member of the Supervisory Board. We recommend his election simultaneously with that of Prof. Riesner, Dr. Wirtz, Mr. Walter and Prof. Claussen.

On 12 December 1997 the Supervisory Board appointed Dr. Metin Colpan as Chairman of the Management Board and additionally proposed that Mr. Peer M. Schatz be elected as a member of the Management Board at the Annual Meeting on 29 June 1998. The Supervisory Board made these appointments in recognition of the services that Dr. Colpan and Mr. Schatz have provided to the Company.

(Signature)

Hilden, Germany, April 1998
Prof. Dr. jur. Carsten P. Claussen
Chairman of the Supervisory Board

▶ *Artist's impression of the interaction of DNA with SuperFect™ Transfection Reagent.*

Dr. Metin Colpan
Chief Executive Officer

Dear Fellow Shareholders,

I am very pleased to tell you that QIAGEN continued to perform well in 1997 for both our customers and our shareholders. We introduced 18 new products and continued our history of strong growth, increasing net sales 37% to $74.3 million. Excluding the unfavorable impact of foreign currency translation on net sales, this growth in consolidated net sales would have been over 43%. Net income increased to $8.8 million, representing 64% growth over 1996. Diluted earnings per share increased to $0.51 in 1997.

Broad Opportunities for Success

QIAGEN is focused on more than just one product, one technology, or one market. We are a multifaceted life science company with extensive experience and expertise in research, development, production, marketing, and distribution of a broad range of molecular biology products and services to a number of distinct markets — the growing life science research market, and the developing markets in genomics, molecular diagnostics, and genetic vaccination and gene therapy.

QIAGEN believes these developing markets are realizing that the front-end biology — the nucleic acid sample preparation — is the key to the quality of the data produced by sequencing, PCR, microchip analysis, or any other application using purified nucleic acids. QIAGEN's leadership in the research market serves as an excellent bridge to these developing markets, where our broad platform of enabling technologies and expertise in both the front-end biology and the downstream applications allow us to provide customers with the integrated solutions they require to purify, analyze, and use nucleic acids.

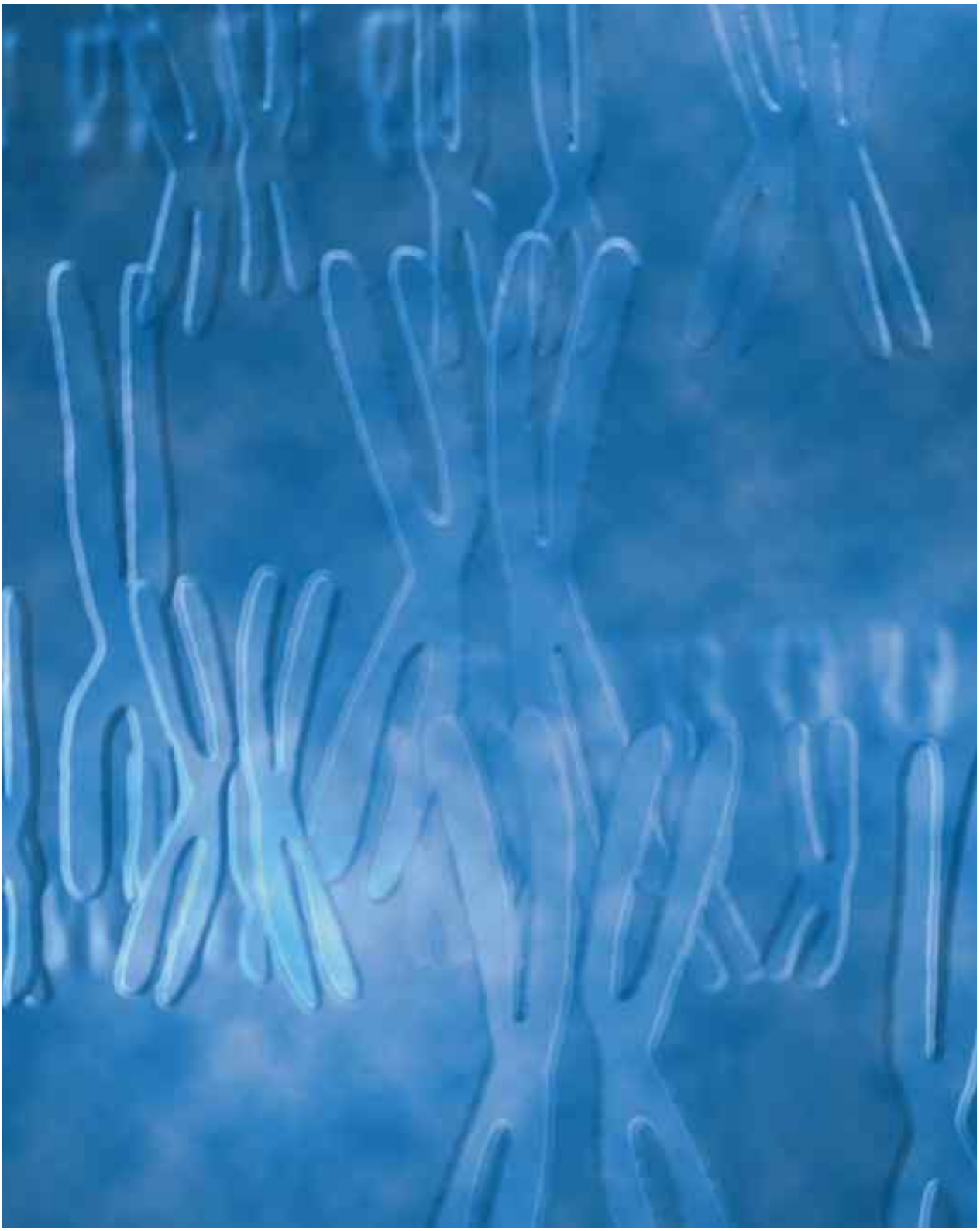
Customers in the genomics, molecular diagnostics, genetic vaccination, and gene therapy markets all share a need for reliable, integrated tools for the purification and handling of nucleic acids — tools that we believe QIAGEN is uniquely positioned to provide. Our strong technology portfolio of 130 patents and over 260 products allows us to work closely with customers in all of these markets to optimize the tools for their needs, and support them in their pursuit of success. When our customers succeed, so does QIAGEN.

Customers Vote QIAGEN Number One

One of the highlights for us in 1997 was achieving outstanding recognition from customers. They rated QIAGEN as the best supplier in the industry in all 6 key categories surveyed — categories chosen as the key determinants for product selection by life scientists. In response to an independent market research organization survey, life scientists voted QIAGEN No. 1 in the following areas:

- Best value for money
- Most consistent quality
- Greatest purity
- Highest yield
- Best application support
- Fastest delivery

This recognition by our customers validates QIAGEN's commitment to providing our customers with excellent products backed by first-class service. QIAGEN received scores several times higher than all other manufacturers in most of these categories. In the product purity category, we



▶ *Artist's impression of human chromosome pairs.*

received almost 5 times more votes than the next closest manufacturer. I believe this is an outstanding achievement, even for a market leader, and I am very proud of the QIAGEN employees who work so hard to be the best.

Life Science Research — Leadership in a Growing Market

We continued to see strong growth in 1997 in revenues from the life science research market. This growth came from both increased purchasing by existing customers and the ongoing addition of new customers switching from traditional methods or other technologies. This strong growth in revenues from the life science research market occurred for all of our product lines in all of our major geographical territories.

We define the market for our life science research products by splitting it into 4 main segments: sample preparation; assays and reactions; detection/analysis; and automation. These segments are intrinsically related and many customers require products from most of these segments to complete their work.

Sample preparation: In the sample preparation market segment, we believe that QIAGEN is the leading commercial supplier and we are confident that we will continue to capture market share as scientists switch from traditional methods to commercial kits.

In the sub-segment for large-scale plasmid purification — a commercial segment that QIAGEN helped to create 12 years ago with the introduction of its first kit — we believe we have now achieved a penetration of approximately 60% in the US. Revenues from this segment continue to grow, driven by the many new product lines introduced in the last three to four years. We anticipate that these innovative new products will continue to drive our overall penetration of the life science research market, and will extend into the related genomics and molecular diagnostics markets. The QIAprep product line, for example, is now believed to be market leader in the plasmid miniprep sub-segment of the life science research market and, thanks to automation on the BioRobot 9600, is spearheading our expansion into the developing genomics market.

Assays and reactions: In 1997 QIAGEN successfully introduced two new product lines into the life science research market based on new proprietary and/or patented technologies for PCR and transfection. These are two of the most common applications for nucleic acids purified with QIAGEN products, so they represent significant opportunities for bundling with other QIAGEN products into integrated customer solutions.

Automation: The QIAGEN BioRobot 9600 is a multifunctional technology platform designed to automate a variety of routine applications such as sample preparation and reaction setup. BioRobot 9600 revenues grew approximately 81% in 1997, with approximately 140% growth in the fourth quarter.

We believe that the increasing growth in BioRobot 9600 placements is due to an increasing shift away from manual methods, similar to the shift that occurred as kit-based products drew customers from traditional purification methods. Our marketing efforts during the past 3 years have resulted in a growing customer base of forward-thinking researchers, who have helped us educate the market to the need for automation and the benefits of releasing scientists from routine and repetitive work. We are gratified to now see our vision for the BioRobot 9600 being adopted by a growing number of life scientists as they strive for increased throughput and cost-effectiveness.

▶ *Artist's impression of viral particles.*

A newly upgraded BioRobot 9600 was introduced in mid-1997 with added features to address the rapidly changing needs of the life science and genomics markets, and has been positively received by both new and existing customers. As an automated technology platform for a variety of applications in the life science laboratory, the BioRobot 9600 multifunctional workstation offers forward compatibility of both software and hardware — characteristics strongly appreciated by our customers.

Significantly, although QIAGEN is not a traditional instrument company, our reputation as one of the most trusted suppliers in the life science market has served us well in gaining acceptance for the BioRobot 9600. The BioRobot 9600 represents another example of QIAGEN's strategic approach to product development, using a multidisciplinary R&D team of biologists, chemists, physicists, and hardware and software engineers who work together to develop state-of-the-art products to satisfy increasingly sophisticated customer needs.

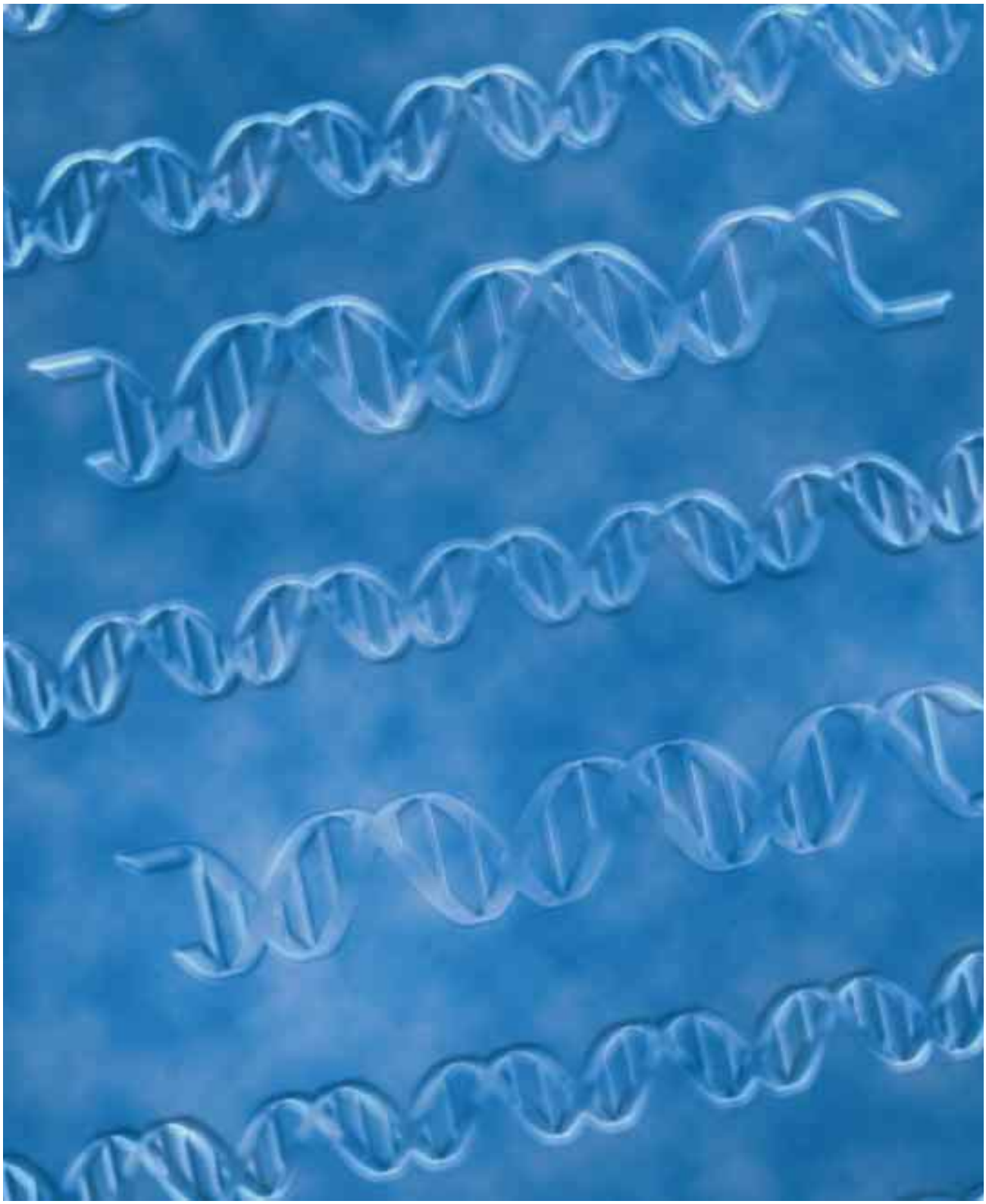
Genomics — Sequencing Is Just the Beginning

During 1997 we increased revenues in the genomics market with the upgraded BioRobot 9600 and new products for high-throughput plasmid minipreps for sequencing. The QIAGEN sequencing group has been participating in various European genome sequencing projects for many years, and in 1997 we expanded our participation to include the Human Genome Project (Germany). We believe that our participation in these collaborative sequencing projects increased our understanding of our customers needs and enhanced our reputation in the close-knit sequencing community. Our growing reputation in this area generated numerous customer requests for contract sequencing services and led to the successful launch in 1997 of QIAGEN Sequencing Services.

Genomics is progressing from production-line sequencing toward more demanding sequencing applications for disease target validation, preclinical and clinical disease evaluation, and gene profiling — applications that we believe will increase the need for the high-quality sequencing starting materials generated by QIAGEN. The biology used to identify the functions of these sequenced genes involves protein expression and analysis — an area where QIAGEN has innovative proprietary products and considerable in-house expertise. As our genomics customers move to more demanding sequencing applications in their attempts to find new ways of diagnosing and treating disease, we look forward to providing them with the enabling technologies they need to succeed.

Molecular Diagnostics — The Future Is Almost Here

Developing and introducing products to serve the increasing need for reliable nucleic acid sample preparation in the molecular diagnostics market is a high priority at QIAGEN. During 1997 we introduced several new products for both low- and high-throughput DNA and RNA purification from clinical samples and strengthened our relationships with opinion leaders in clinical reference labs and other significant participants in this developing market. Our growth in the molecular diagnostics arena encompasses a wide range of segments, including molecular pathology in both hospital and reference labs, blood banking, viral load monitoring for HIV and hepatitis C patients, forensics, pharmacogenetics, disease management, and plant and animal breeding.



▶ *Artist's impression of DNA amplification during PCR.*

One of the major needs of molecular diagnostic laboratories is the ability to automate their processes. Our new BioRobot 96O4, designed for clinical applications, began field testing in 1997 and has been well received by the participants. We believe that this instrument has significant potential, although it is too early to predict how this market will develop.

Expanding Our Knowledge Base

Human resources are the key to our current and future growth. In 1997 we grew to 622 personnel worldwide and added several key management positions. An International Human Resources Manager position was created to coordinate our ongoing global hiring. We also hired a new General Manager for our UK operation, who came to us with many years of success in the UK life sciences market.

Strengthening Customer Relationships

Building strong customer relationships to increase sales, foster loyalty, and gather information is one of our key marketing strategies, and our highly qualified field sales force and in-house technical consultants are recognized by customers as one of the primary benefits of doing business with QIAGEN. Many of our sales and technical support personnel are Ph.D.-level scientists, who are respected by customers for the breadth of their knowledge about our products and their understanding of scientists' needs. By the end of 1997, we had increased the number of QIAGEN sales and technical consultants worldwide to 135.

Developing Innovative Products and Technologies

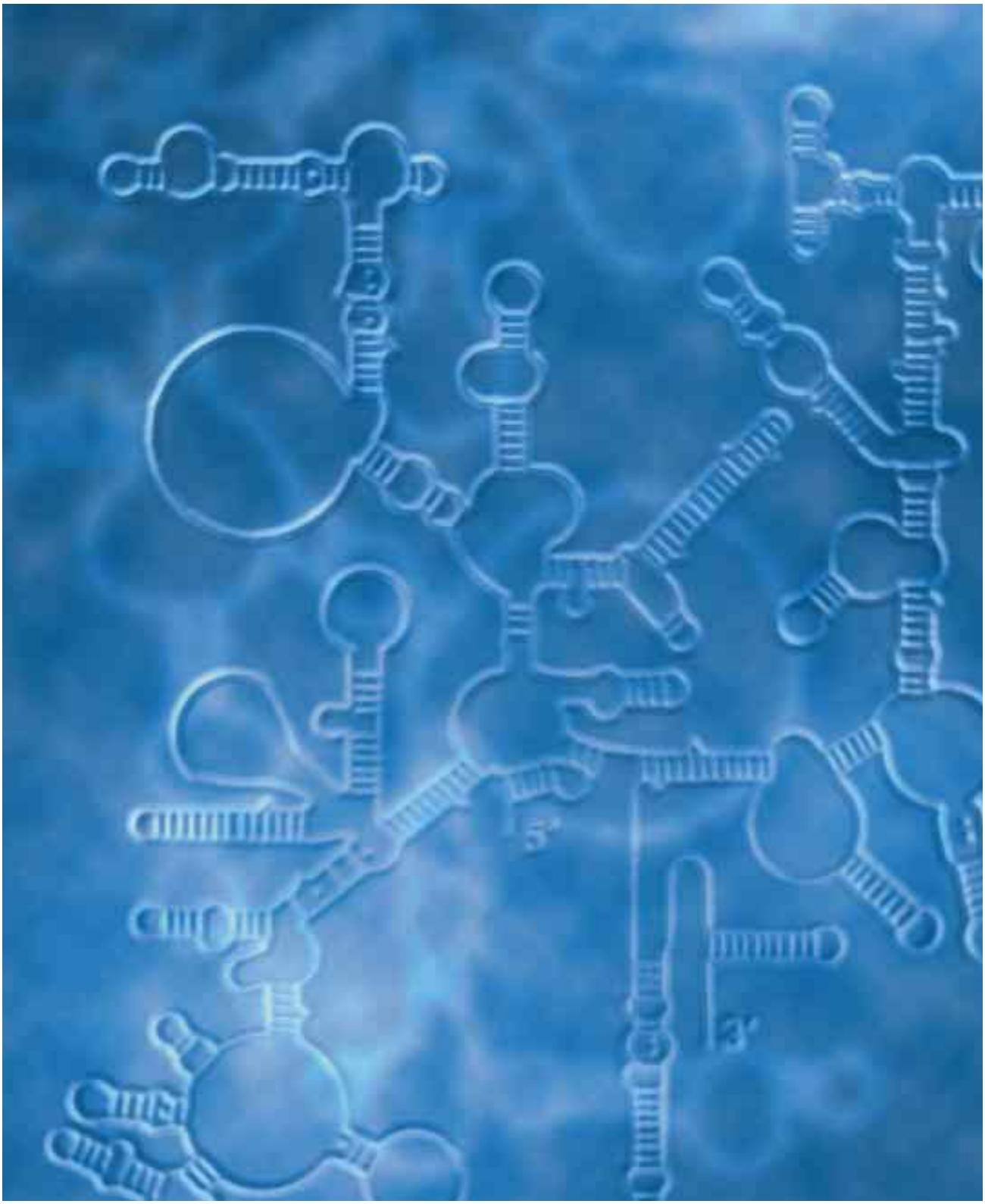
In 1997 we increased our R&D staff to a total of 126, 42 of whom are Ph.Ds. They are focused on product maintenance, new product development, and the development of new and innovative technologies for future products. Our R&D staff come from a wide range of scientific disciplines, and maintain close relationships both with the marketplace and with their peers in order to keep abreast of new and emerging applications and technologies. We added a Business Development Manager and a Patent and Licensing Manager in 1997 to license new technologies, actively protect our developing technologies, and extend our relationships with researchers and complementary companies.

Moving Further into Cyberspace

Since most life scientists are frequent users of the Internet and World Wide Web, the QIAGEN web site (www.qiagen.com) is a very important marketing tool for us. Our web site provides our customers with technical information about our products, an on-line catalog, handbooks and other literature for downloading, and announcements about new products or special promotions. We have more than doubled the number of support personnel for our website in the past year and made significant improvements leading to greatly increased site traffic. The importance of the Internet for our customers is growing daily, and we are closely watching developments in on-line ordering, which can be implemented as part of our SAP/R3™ information management system.

Expanding in Japan and Canada

To increase our penetration of the Japanese market, QIAGEN formed a joint venture in 1997 with our long-standing distributor in Japan. We believe that this joint venture, which began operations in January 1998 as QIAGEN K.K., combines our Japanese partner's knowledge of the complex Japanese distribution system with QIAGEN's knowledge of the life sciences market and our experience in training product specialists as sales consultants. The combination of experienced QIAGEN personnel, experienced Japanese personnel, and a General Manager who comes to us with years of experience managing a rapidly growing company in Japan, is already leading to increased revenue growth in this large market.



▶ *Artist's impression of ribosomal RNA.*

We also opened a new subsidiary in Toronto in June 1997 to better serve our Canadian customers, who were previously supported by QIAGEN Inc. from California. The new Canadian operation allows us to provide faster product delivery, more convenient ordering, and more personalized service for this growing market.

Successful Growth Management

One of our key goals at QIAGEN is the ongoing improvement in our operations to support our continued revenue growth. In 1997 we shipped over 385,000 product units worldwide and completed several major projects to help us manage this throughput.

The SAP/R3™ business information system, which began operating in our Germany facility in 1995, was expanded globally to link all QIAGEN European and North American operations, significantly increasing our operating efficiency.

To provide enough production capacity for our current and future demands, we significantly expanded our production facilities in Germany in 1997. In addition, we began construction of a new R&D facility and purchased 50,000 square meters of land adjacent to our main Hilden facility for future expansion. We are confident that these new and expanded facilities will allow us to continue to support our future growth.

Strong Financial Position

QIAGEN ended the year with both a strong balance sheet and a strong financial position totaling $30.1 million in cash and marketable securities.

To ensure an orderly reduction of the large positions held by two venture capital shareholders, we carried out a secondary offering in 1997 and combined this effort with a listing of our stock on the Neuer Markt segment of the Frankfurt Stock Exchange. This secondary listing gives our European shareholder base an additional trading platform.

Continually Moving Forward

QIAGEN has always emphasized attracting highly motivated and skilled employees to keep us at the forefront in technology development, production, sales and marketing, distribution, and service. This multinational team's drive to continually provide new and innovative solutions to our customers, and to support them with the highest quality products and services, is the key to our success.

In 1998 we will remain true to our basic strategy — continually seeking to optimize and diversify our opportunities by providing the tools our customers need in research, genomics, molecular diagnostics, gene therapy, genetic vaccination, and a host of other developing commercial markets.

Thank you for your interest in QIAGEN. We look forward to reporting future successes.

(Signature)

Dr. Metin Colpan
Chief Executive Officer

Table of Contents — Financial Data

Selected Consolidated Financial Data

(amounts in thousands, except per share data)

The information below should be read in conjunction with the consolidated financial statements (and notes thereon) and "Management's Discussion and Analysis."

	Year ended December 31,				
	1993	1994	1995	1996	1997
Consolidated Statement of Income Data:					
Net sales	$16,524	$24,115	$36,992	$54,157	$74,274
Cost of sales	5,336	7,288	9,550	14,669	20,069
Gross profit	11,188	16,827	27,442	39,488	54,205
Operating expenses:					
Research and development	2,356	2,758	4,414	6,490	8,264
Sales and marketing	3,352	5,323	9,369	16,034	22,580
General and administrative	4,488	5,281	8,981	10,985	15,102
Total operating expenses	10,196	13,362	22,764	33,509	45,946
Income from operations	992	3,465	4,678	5,979	8,259
Other income (expense), net	625	(525)	(153)	2,682	5,237
Income before provision for income taxes and minority interest	1,617	2,940	4,525	8,661	13,496
Provision for income taxes	897	1,656	2,130	3,331	4,764
Minority interest	–	–	–	–	(31)
Net income	$ 720	$ 1,284	$ 2,395	$ 5,330	$ 8,763
Basic net income per common share	$ 0.06	$ 0.10	$ 0.19	$ 0.35	$ 0.52
Diluted net income per common share (1)	$ 0.06	$ 0.10	$ 0.19	$ 0.35	$ 0.51
Weighted average number of common shares used to compute basic net income per common share	12,140	12,508	12,877	15,108	16,760
Weighted average number of common shares used to compute diluted net income per common share	12,140	12,508	12,877	15,340	17,051

	December 31,				
	1993	1994	1995	1996	1997
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 446	$ 3,612	$ 5,305	$ 1,975	$ 4,298
Working capital	4,725	8,303	9,920	35,829	38,672
Total assets	14,820	19,450	26,203	66,190	78,928
Total long-term liabilities, including current portion	6,791	7,279	7,800	7,108	6,484
Total shareholders' equity	5,685	9,120	12,208	47,696	53,951

(1) Computed on the basis described for net income per common share in Note 2 of the "Notes to Consolidated Financial Statements".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section contains a number of forward looking statements. These statements are based on management's current expectations and actual results may differ materially. Among the factors which could cause actual results to vary are those described in "Business Factors" below.

Overview

QIAGEN believes that it is the world's leading provider of innovative enabling technologies and products for the separation and purification of nucleic acids. The Company was established to develop, manufacture, and market a portfolio of proprietary technologies and products to address customer needs, which include purity, speed, yield, reliability, throughput, and ease of use. QIAGEN's products enable customers to reliably and rapidly produce high-purity nucleic acids without using hazardous reagents or expensive equipment. QIAGEN offers over 260 products, including a broad range of consumables, as well as instruments and services, for a variety of applications in nucleic acid separation and purification. The Company has experienced significant growth in the past, and since 1993 has had compound annual growth of approximately 46% in sales and 87% in net income. In 1997, the Company recorded $8.8 million of net income on $74.3 million of net sales, and has to date funded its growth through internally generated funds, debt, the private sale of equity, and through proceeds from the sale of securities to the public.

Results of Operations

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

	Year ended December 31,		
	1995	1996	1997
Net sales	100.0%	100.0%	100.0%
Cost of sales	25.8	27.1	27.0
Gross profit	74.2	72.9	73.0
Operating expenses:			
Research and development	11.9	12.0	11.1
Sales and marketing	25.3	29.6	30.4
General and administrative	24.3	20.3	20.3
Total operating expenses	61.5	61.9	61.9
Income from operations	12.7	11.0	11.1
Other income (expense)	(0.4)	5.0	7.1
Income before provision for income taxes	12.2	16.0	18.2
Provision for income taxes	5.8	6.2	6.4
Net income	6.5%	9.8%	11.8%

Fiscal Years Ended December 31, 1997 and 1996

Net Sales. Net sales increased 37% (or $20.1 million) to $74.3 million in 1997 from 54.2 million in 1996. Net sales in the United States increased 40% (or $12.6 million) to $44.1 million in fiscal 1997 from $31.5 million in 1996, and net sales outside the United States increased 33% to $30.2 million in fiscal 1997 from $22.7 million for 1996. The overall increase in net sales was primarily attributable to increases in unit sales, as price increases have been approximately in line with inflation. The increase in net sales reflects new product introductions, as well as strong growth across the Company's existing product lines. A material portion of the Company's sales continue to be attributable to the Company's range of products designed for plasmid DNA applications. While still contributing less than 10% of net sales due to their recent introduction, the Company's instrumentation products reflected significant growth in 1997. In 1997, the German mark, as measured by the average exchange rate for the year, depreciated against the U.S. dollar by 13% as compared to 1996. If the same rates used for 1996 were applied to 1997, net sales in 1997 would have been higher, and the growth of net sales would have exceeded the percentage calculated in reported net sales. See "Currency Fluctuations".

Gross Profit. The Company's gross profit increased from $39.5 million (73% of net sales) in 1996 to $54.2 million (73% of net sales) in 1997. The absolute dollar increase in gross profit was primarily due to increased unit sales. Gross profit as a percentage of sales remained constant for 1997 and 1996, as increases in gross margin due to economies of scale during 1997 were partially offset by increased sales of BioRobot instruments which carry lower gross margins. The Company continued to increase its production capacity by adding, among other things, personnel, automated equipment, and production and warehouse space, in order to accommodate its expanding sales. In September, the Company increased its production capacity by adding approximately 5,000 square meters (approx. 54,000 square feet) of production facilities pursuant to a three-year lease with various options to extend this period. The Company believes that the expansion in its production capacity will increase its production efficiency in the future.

Research and Development. Research and development expenses increased 27% from $6.5 million (12% of net sales) in 1996 to $8.3 million (11% of net sales) in 1997. The increase in research and development expenses resulted primarily from greater personnel expenses, as the Company continued the expansion of its product development capabilities, with particular emphasis on products and technologies for developing commercial markets. The Company has a strong commitment to research and development and expects its expenses in this area to continue to increase significantly. As of December 31, 1997 the Company had 126 employees engaged in research and development efforts.

Sales and Marketing. Sales and marketing expenses increased 41% from $16.0 million (29.6% of net sales) in 1996 to $22.6 million (30.4% of net sales) in 1997. The increase was associated with increased volume in unit sales, including expenditures for additional personnel, commissions, promotions, publications, and advertising. A portion of the increase in these expenses as a percentage of sales was associated with the establishment of marketing and sales subsidiaries in Japan and Canada. In addition, the Company had the French and Australian operations for the full year in 1997, as compared to operating less than 12 months in 1996, since these operations were established in the second half of 1996. In 1997, the Company also launched approximately 18 new products that it supported with marketing efforts which increased expenses in marketing and sales.

General and Administrative. General and administrative expenses increased 37% from $11.0 million (20% of net sales) in 1996 to $15.1 million (20% of net sales) in 1997. The increase in general and administrative expenses was primarily due to the expansion of the Company's administrative infrastructure to accommodate sales growth and international expansion.

Other Income (Expense). Other income (expense) increased from $2.7 million in 1996 to $5.2 million in 1997. This increase was mainly due to increases in income from foreign currency transactions, interest income and research and development grant income, offset by an increase in interest and other expense.

Income from foreign currency transactions increased from $1 million in 1996 to $2.5 million in 1997. Income from foreign currency transactions reflects net effects from conducting business in currencies other than the U.S. dollar. While the increase in value of the U.S. dollar had a negative effect on net sales translated from German marks and other currencies into U.S. dollars, the Company recorded income from foreign currency transactions and liabilities denominated in currencies other than the U.S. dollar, mainly the German mark. See "Currency Fluctuations".

Interest income increased from $1 million in 1996 to $1.7 million in 1997. This increase reflects interest income earned on funds, primarily from the Company's June 1996 public offering of stock, that the Company is currently investing in investment grade, interest-bearing securities. As of December 31, 1997, the Company had approximately $26 million invested in such securities.

Research and development grant income from European as well as German state and federal government grants increased from $1.3 million in 1996 to $2.0 million in 1997. The Company's research and development activities are currently principally carried out in Germany. The Company expects to continue to apply for such research and development grants in the future. Other expense increased from $88,000 in 1996 to $180,000 in 1997.

Provision for Income Taxes. The Company's effective tax rate decreased from 38% in 1996 to 35% in 1997. This decrease is mainly due to the increase in income of the Company's subsidiaries in Switzerland and the United Kingdom, as well as to effects following the Company's April 1996 reorganization in which QIAGEN N.V. was formed as a Dutch holding company.

Fiscal Years Ended December 31, 1996 and 1995

Net Sales. Net sales increased 46% (or $17.2 million) to $54.2 million in 1996 from $37.0 million in 1995. Net sales in the United States increased 50% (or $10.6 million) to $31.6 million, and net sales outside the United States increased 41% (or $6.6 million) to $22.6 million. The overall increase in net sales was primarily attributable to increased market penetration of QIAGEN's existing and new products. All of the Company's major products experienced significant sales growth from 1995 to 1996. A material portion of the Company's sales were attributable to the Company's range of products designed for plasmid DNA applications. In 1996, the U.S. dollar as measured by the average exchange rate for the year, appreciated against the three most significant currencies affecting the Company's net sales as compared to applicable currency exchange rates in 1995. If the same rates used for 1995 were applied to 1996, net sales for 1996 would have been higher, and the growth of net sales would have exceeded the percentage calculated in reported net sales. See "Currency Fluctuations".

Gross Profit. The Company's gross profit increased from $27.4 million (74% of net sales) in 1995 to $39.5 million (73% of net sales) in 1996. The absolute dollar increase in gross profit was primarily due to increased unit sales. In 1996, the Company continued to increase its production capacity by adding personnel, automated equipment, and production and warehouse space, in order to accommodate its expanding sales. This expansion in production capacity resulted in an increased asset base in production and a decrease in gross profit margin. The Company believes that the expansion in its production capacity will increase its production efficiency in the future. In addition, during 1996 the Company experienced strong growth in net sales from its instrumentation products such as the QIAGEN BioRobot. These products carry a slightly lower gross margin than the Company's consumable products.

Research and Development. Research and development expenses increased 47% from $4.4 million (12% of net sales) in 1995 to $6.5 million (12% of net sales) in 1996. The increase resulted primarily from greater personnel expenses, as the Company continued the expansion of its new product development capabilities. The Company has a strong commitment to research and development and expects its expenses in this area to continue to increase significantly.

Sales and Marketing. Sales and marketing expenses increased 71% from $9.4 million (25% of net sales) in 1995 to $16.0 million (30% of net sales) in 1996. The increase was associated with increased volume in net sales, including expenditures for additional personnel, commissions, promotions, publications, and advertising. A portion of these expenses were also associated with the establishment of marketing and sales subsidiaries in France and Australia. In 1996, the Company also launched a range of new products, including the PCR product line, that it supported with marketing efforts resulting in increased expenses in marketing and sales.

General and Administrative. General and administrative expenses increased 22% from $9.0 million (24% of net sales) in 1995 to $11.0 million (20% of net sales) in 1996. The increase was due to the expansion of the Company's administrative infrastructure to accommodate sales growth. A significant portion of the increase was incurred in connection with the addition of Australian and French sales subsidiaries.

Other Income (Expense). Other income (expense) increased from a net expense of $153,000 in 1995 to a net income of $2.7 million in 1996. The largest component of this increase was attributable to gain on foreign currency transactions of $1.0 million in 1996 compared to a loss of $0.6 million in 1995. Income from foreign currency transactions reflects net effects from conducting business in currencies other than the U.S. dollar. See "Currency Fluctuations".

The increase in other income in 1996 was also due to increases in interest income and research and development grant income, offset by an increase in other income (expense). Interest income in 1996 increased to $1.0 million from $76,000 in 1995. This increase reflects interest received during 1996 on the proceeds from the Company's initial public offering completed on June 28, 1996. Research and development grant income in 1996 increased 69% or $549,000 to $1.3 million from $790,000 in 1995. QIAGEN's research and development activities are currently principally carried out in Germany, and the Company expects to continue to apply for such research and development grants in the future. A significant portion of this increase in grant income is related to increases in the Company's research and development expenses. Other income (expense), net decreased from income of $247,000 in 1995 to an expense of $88,000 in 1996.

Provision for Income Taxes. The Company's effective tax rate decreased from 47% in 1995 to 38% in 1996. The decrease was primarily attributable to the Company's access to lower effective tax rates in the United Kingdom and Switzerland through its sales subsidiaries in those jurisdictions, as well as to effects following the Company's April 1996 reorganization in which QIAGEN N.V. was formed as a Dutch holding company, which contributed to a lower overall tax rate.

Currency Hedging

In the normal course of business, the Company from time to time purchases exchange-traded put options on U.S. dollars to mitigate foreign currency exposure.

Liquidity and Capital Resources

To date, the Company has funded its business primarily through internally generated funds, debt, and the private and public sales of equity. The Company generated net cash from operating activities of approximately $4.1 million and $8.5 million in 1996 and 1997, respectively. The Company's investing and financing activities used $6.4 million during 1996 and $2.7 million during 1997. Approximately $6.8 million of cash was used by investing activities in 1997 for the purchases of fixed assets such as machinery for the Company's production operations. In the same period, the Company generated cash from financing activities of approximately $3.2 million, mainly from the utilization of credit lines and short-term debt, the receipt of proceeds from the paydown of shareholder loans and from the issuance of common stock pursuant to the exercise of stock options by employees. The most significant increases to operating cash flows were net income, increases in depreciation and amortization, and increases in accrued liabilities and taxes payable, offset by increases in accounts receivable and inventories. As of December 31, 1996 and December 31, 1997, the Company had cash and cash equivalents of approximately $2.0 million and $4.3 million, respectively, and working capital of approximately $35.8 million and $38.7 million, respectively. As of December 31, 1997, the Company had marketable securities of approximately $25.8 million, which were purchased in part with approximately $31.1 million of proceeds from the Company's June 1996 initial public offering. The Company has credit lines totaling approximately $4.6 million, of which $2.6 million was available as of December 31, 1997. The Company also carries $764,000 of long-term debt at an interest rate subsidized by a German government-related institution. The Company believes that its sources of liquidity, together with the proceeds from its public and private sales of equity, credit lines and the anticipated funds provided by operations, will be sufficient to finance its planned operations for at least the next two years.

Currency Fluctuations

The Company operates on an international basis. A significant portion of its revenues and expenses are incurred in currencies other than the U.S. dollar. The German mark is the most significant such currency, with others including the British pound, Japanese yen, French franc, Swiss franc, and Canadian and Australian dollars. Fluctuations in the value of the currencies in which the Company conducts its business relative to the U.S. dollar have caused and will continue to cause U.S. dollar translations of such currencies to vary from one period to another. Due to the number of currencies involved, the constantly changing currency exposures, and the potential substantial volatility of currency exchange rates, the Company cannot predict the effect of exchange rate fluctuations upon future operating results. However, because the Company has substantial expenses as well as revenues in each of its principal functional currencies, the exposure of its financial results to currency fluctuations is reduced. The Company seeks to mitigate what it believes to be a significant portion of the remaining risk through hedging transactions. In general terms, appreciation of the U.S. dollar against the Company's other foreign currencies, such as occurred in 1996 and 1997 with respect to the German mark, will decrease reported net sales, and vice versa. However, this impact normally will be at least partially offset in results of operations by gains or losses from foreign currency transactions.

The functional currencies of the Company and its subsidiaries generally are their respective local currencies in accordance with Statement of Financial Accounting, Standard No. 52, "Foreign Currency Translation". All amounts in the financial statements of entities whose functional currency is not the dollar are translated into dollar equivalents at exchange rates as follows: (1) assets and liabilities at period-end rates, (2) income statement accounts at average exchange rates for the period, and (3) components of shareholders' equity at historical rates. Translation gains or losses are recorded in shareholders' equity and transaction gains and losses are reflected in net income (loss). The net exchange gain (loss) for 1995, 1996, and 1997, was ($560,000), $993,000, and $2,492,000, respectively, which is included in other income (expense).

Year 2000 Compliance

The Year 2000 issue refers to potential problems with computer systems or any equipment with computer chips or software that use dates where the date has been stored as just two digits (e.g., 97 for 1997). On January 1, 2000, any clock or date-recording mechanism incorporating date-sensitive software which uses only two digits to represent the year may recognize a date using 00 as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruption of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar business activities.

The Company has conducted a review of its internal information systems to determine the extent of any Year 2000 problem. Based on such review, the Company does not currently believe that it has material exposure to the Year 2000 issue with respect to its own information systems, since its core existing business information systems correctly define the Year 2000.

The Company is in the process of contacting its major suppliers and customers in a effort to determine the extent to which the Company may be vulnerable to those parties' failure to timely correct their own Year 2000 problems. To date, the Company is unaware of any situations of noncompliance that would materially adversely affect its operations or financial condition. There can be no assurance, however, that instances of noncompliance which could have a material adverse effect on the Company's operations or financial condition will not be identified; that the systems of other companies with which the Company transacts business will be corrected on a timely basis; or that a failure by such entities to correct a Year 2000 problem or a correction which is incompatible with the Company's information systems would not have a material adverse effect on the Company's operations or financial condition.

Business Factors

This report contains certain forward-looking statements that are subject to certain risks and uncertainties. These statements include statements regarding (i) the Company's ability to maintain its relationships with its customers and its broad range of products, (ii) the Company's ability to stay abreast of technological developments, (iii) the size of the Company's markets and potential markets, (iv) the Company's ability to penetrate and expand these markets and the demand for the Company's existing and new products, (v) the Company's ability to increase its production efficiency as a result of expansion in its production capacity, and (vi) the Company's liquidity. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The Company cautions investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements as a result of various factors, including, but not limited to, the following: risks associated with the Company's expansion of operations, management growth, international operations, and dependence on key personnel; intense competition; the variation in the Company's operating results; technological change; the Company's ability to develop and protect proprietary products and technologies and to enter into collaborative commercial relationships; the Company's future capital requirements; and uncertainties as to the extent of future government regulation of the Company's business. As a result, the Company's future development efforts involve a high degree of risk. For further information, refer to the more specific risks and uncertainties discussed throughout this Annual Report.

QIAGEN N.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	1997	1996
Assets		
Current Assets:		
Cash and cash equivalents	**$ 4,298,000**	$ 1,975,000
Marketable securities	**25,831,000**	28,097,000
Accounts receivable, net of allowance of $630,000 and $390,000 in 1997 and 1996, respectively	**10,433,000**	6,498,000
Income taxes receivable	**–**	492,000
Inventories	**14,569,000**	9,851,000
Prepaid expenses and other	**2,280,000**	1,625,000
Deferred income taxes	**1,088,000**	30,000
Total current assets	**58,499,000**	48,568,000
Property, plant and equipment, net	**17,766,000**	16,115,000
Intangible assets	**1,812,000**	938,000
Other assets	**851,000**	569,000
Total assets	**$ 78,928,000**	$ 66,190,000

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

QIAGEN N.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	1997	1996
Liabilities and Shareholders' Equity		
Current Liabilities:		
Lines of credit	**$ 1,677,000**	$ –
Short-term debt	**2,306,000**	1,820,000
Current portion of long-term debt	**255,000**	449,000
Current portion of capital lease obligations	**1,079,000**	904,000
Accounts payable	**6,652,000**	5,552,000
Accrued liabilities	**5,111,000**	3,475,000
Income taxes payable	**2,747,000**	539,000
Total current liabilities	**19,827,000**	12,739,000
Long-Term Liabilities:		
Long-term debt, net of current portion	**509,000**	891,000
Capital lease obligations, net of current portion	**4,504,000**	4,771,000
Other	**137,000**	93,000
Total long-term liabilities	**5,150,000**	5,755,000
Commitments and Contingencies (Note 13)		
Shareholders' Equity:		
Common shares, NLG .03 par value: Authorized–32,500,000 shares Issued and outstanding–16,777,392 shares in 1997 and 16,740,500 shares in 1996	**294,000**	293,000
Additional paid-in capital	**41,574,000**	40,643,000
Retained earnings	**16,558,000**	7,795,000
Notes receivable from sale of shares	–	(1,729,000)
Cumulative translation adjustment	**(4,475,000)**	694,000
Total shareholders' equity	**53,951,000**	47,696,000
	$ 78,928,000	$ 66,190,000

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

QIAGEN N.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31,		
	1997	1996	1995
Net Sales	**$ 74,274,000**	$ 54,157,000	$ 36,992,000
Cost of Sales	**20,069,000**	14,669,000	9,550,000
Gross profit	**54,205,000**	39,488,000	27,442,000
Operating Expenses:			
Research and development	**8,264,000**	6,490,000	4,414,000
Sales and marketing	**22,580,000**	16,034,000	9,369,000
General and administrative	**15,102,000**	10,985,000	8,981,000
Total operating expenses	**45,946,000**	33,509,000	22,764,000
Income from operations	**8,259,000**	5,979,000	4,678,000
Other income (expense):			
Interest income	**1,651,000**	1,012,000	76,000
Interest expense	**(716,000)**	(574,000)	(706,000)
Research and development grants	**1,990,000**	1,339,000	790,000
Gain (loss) on foreign currency transactions	**2,492,000**	993,000	(560,000)
Other income (expense), net	**(180,000)**	(88,000)	247,000
	5,237,000	2,682,000	(153,000)
Income before provision for income taxes and minority interest	**13,496,000**	8,661,000	4,525,000
Provision for income taxes	**4,764,000**	3,331,000	2,130,000
Minority interest	**(31,000)**	–	–
Net income	**$ 8,763,000**	$ 5,330,000	$ 2,395,000
Basic net income per common share	**$ 0.52**	$ 0.35	$ 0.19
Diluted net income per common share	**$ 0.51**	$ 0.35	$ 0.19

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

QIAGEN N.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE THREE YEARS ENDED DECEMBER 31, 1997

	Common Shares		Additional		Notes Receivable	Cumulative	
	Shares	Amount	Paid-In Capital	Retained Earnings	from Sale of Shares	Translation Adjustment	Total
BALANCE AT DECEMBER 31, 1994	**12,876,667**	**$ 225,000**	**$ 7,502,000**	**$ 70,000**	**$ –**	**$1,323,000**	**$ 9,120,000**
Net income	–	–	–	2,395,000	–	–	2,395,000
Translation adjustment	–	–	–	–	–	693,000	693,000
BALANCE AT DECEMBER 31, 1995	**12,876,667**	**225,000**	**7,502,000**	**2,465,000**	**–**	**2,016,000**	**12,208,000**
Issuance of common shares	833,333	15,000	1,731,000	–	(1,729,000)	–	17,000
Initial public offering	3,016,500	53,000	31,027,000	–	–	–	31,080,000
Shares issued in exchange for patents	14,000	–	383,000	–	–	–	383,000
Net Income	–	–	–	5,330,000	–	–	5,330,000
Translation adjustment	–	–	–	–	–	(1,322,000)	(1,322,000)
BALANCE AT DECEMBER 31, 1996	**16,740,500**	**293,000**	**40,643,000**	**7,795,000**	**(1,729,000)**	**694,000**	**47,696,000**
Shares issued in exchange for patents	1,000	–	32,000	–	–	–	32,000
Exercise of stock options	35,892	1,000	748,000	–	–	–	749,000
Repayment of notes receivable from sale of shares	–	–	–	–	1,729,000	–	1,729,000
Tax benefit in connection with nonqualified stock options	–	–	151,000	–	–	–	151,000
Net Income	–	–	–	8,763,000	–	–	8,763,000
Translation adjustment	–	–	–	–	–	(5,169,000)	(5,169,000)
BALANCE AT DECEMBER 31, 1997	**16,777,392**	**$ 294,000**	**$41,574,000**	**$16,558,000**	**$ –**	**$(4,475,000)**	**$ 53,951,000**

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

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

	Years ended December 31,		
	1997	1996	1995
Cash Flows from Operating Activities			
Net income	**$ 8,763,000**	$ 5,330,000	$ 2,395,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**4,925,000**	2,455,000	1,803,000
Provision for losses on accounts receivable	**358,000**	108,000	142,000
Deferred income taxes	**(922,000)**	412,000	349,000
Loss on disposition of property and equipment	**15,000**	30,000	49,000
Loss on sale of marketable securities	**47,000**	–	–
Minority interest	**(31,000)**	–	–
Decrease (increase) in:			
Accounts receivable	**(4,695,000)**	(2,086,000)	(1,745,000)
Inventories	**(6,000,000)**	(4,160,000)	(1,772,000)
Income taxes receivable	**437,000**	(503,000)	–
Prepaid expenses and other	**(640,000)**	(802,000)	(260,000)
Other assets	**(73,000)**	(436,000)	(103,000)
Increase (decrease) in:			
Accounts payable	**1,781,000**	3,106,000	1,208,000
Accrued liabilities	**2,005,000**	1,693,000	567,000
Income taxes payable	**2,484,000**	(1,012,000)	1,223,000
Net cash provided by operating activities	**8,454,000**	4,135,000	3,856,000

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

	Years ended December 31,		
	1997	1996	1995
Cash Flows from Investing Activities:			
Purchases of property and equipment	**(6,758,000)**	(9,706,000)	(1,706,000)
Proceeds from sale of property and equipment	**27,000**	5,000	80,000
Purchases of intangible assets	**(1,054,000)**	(471,000)	–
Purchases of investments	**(289,000)**	–	–
Marketable securities, net	**2,219,000**	(28,097,000)	–
Net cash used in investing activities	**(5,855,000)**	(38,269,000)	(1,626,000)
Cash Flows from Financing Activities:			
Lines of credit	**1,767,000**	–	–
Proceeds from short-term debt	**2,396,000**	1,820,000	–
Repayment of short-term debt	**(1,820,000)**	–	–
Principal payments on capital leases	**(1,022,000)**	(868,000)	(878,000)
Proceeds from long-term debt	**59,000**	14,000	–
Repayment of long-term debt	**(397,000)**	(152,000)	(320,000)
Proceeds from shareholder loans	**1,472,000**	–	–
Issuance of common shares	**749,000**	31,097,000	–
Net cash provided by (used in) financing activities	**3,204,000**	31,911,000	(1,198,000)
Effect of exchange rate changes on Cash and Cash Equivalents	**(3,480,000)**	(1,107,000)	661,000
Net increase (decrease) in cash and cash equivalents	**2,323,000**	(3,330,000)	1,693,000
Cash and Cash Equivalents, beginning of year	**1,975,000**	5,305,000	3,612,000
Cash and Cash Equivalents, end of year	**$ 4,298,000**	$ 1,975,000	$ 5,305,000

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

QIAGEN N.V. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1997

1. Line of Business

QIAGEN N.V. and Subsidiaries (the Company) produce and distribute biotechnology products, primarily for the separation and purification of nucleic acids (DNA/RNA). The Company also assembles and distributes certain robotic equipment to be used in connection with the Company's products. The Company's products are used in biological research by universities and research institutions as well as in genome sequencing, diagnostic and therapeutic industries. At December 31, 1997, the Company consists of the Netherlands parent company and its wholly owned subsidiaries, QIAGEN GmbH in Hilden, Germany; QIAGEN Inc. in Los Angeles, United States; QIAGEN Ltd. in Crawley, England; QIAGEN AG in Basel, Switzerland; QIAGEN S.A. in Courtaboeuf Cedex, France; QIAGEN Pty Ltd in Clifton Hill, Australia; and QIAGEN Inc. in Mississauga, Canada. The Company also has a 60% interest in QIAGEN K.K. in Tokyo, Japan.

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

2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The accompanying consolidated financial statements were prepared in conformity with United States generally accepted accounting principles (GAAP) and include the accounts of the Company and its subsidiaries, after elimination of all significant intercompany accounts and transactions. See also page 41: "Dutch Annual Accounts".

b. Use of Estimates in the Preparation of Financial Statements

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

c. Net Income per Common Share

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share". The statement replaces primary EPS with basic EPS, which is computed by dividing reported earnings available to common shareholders by weighted average shares outstanding. The provision also requires the calculation of diluted EPS. The Company adopted this statement in 1997, and all prior year earnings per share amounts have been recalculated based on the provisions of SFAS No. 128.

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

	Years ended December 31,		
	1997	1996	1995
Net income	**$ 8,763,000**	$ 5,330,000	$ 2,395,000
Weighted average number of common shares used to compute basic net income per common share	**16,760,000**	15,108,000	12,877,000
Dilutive effect of common share equivalents	**291,000**	232,000	–
Weighted average number of common shares used to compute diluted net income per common share	**17,051,000**	15,340,000	12,877,000
Basic net income per common share	**$ 0.52**	$ 0.35	$ 0.19
Diluted net income per common share	**$ 0.51**	$ 0.35	$ 0.19

Options to purchase approximately 47,000 and 51,000 shares of common stock were not included in the computation of 1997 and 1996 diluted net income per common share because such options were considered anti-dilutive.

d. Credit Risk

The Company's accounts receivable are unsecured and the Company is at risk to the extent such amounts become uncollectible. As of December 31, 1997 and 1996, no single customer represented more than 10% of accounts receivable. For the years ended December 31, 1997, 1996, and 1995, no single customer represented more than 10% of consolidated net sales.

e. Inventories

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

f. Property, Plant, and Equipment

Depreciation is computed using the straight-line and declining balance methods over the following estimated useful lives: buildings for 10 years; machinery and equipment for three to eight years; computer software for one to five years; furniture and office equipment for three to eight years; and leasehold improvements are computed on a straight-line basis over the lesser of the life of the lease or the estimated useful life.

The Company follows the policy of capitalizing expenditures that materially increase asset lives and charging ordinary maintenance and repairs to operations as incurred. When property or equipment are disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any gain or loss is included in operations. Repairs and maintenance expense was $745,000, $469,000, and $266,000 in fiscal years 1997, 1996, and 1995, respectively.

g. Revenue Recognition

The Company recognizes product revenue when products are shipped. Revenue from instrumentation equipment is not recognized until customer acceptance. Revenue from services is recognized when the related service is performed.

h. Statements of Cash Flows

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

	Years ended December 31,		
	1997	1996	1995
Equipment purchased through capital leases	**$ 1,680,000**	$ 797,000	$ 1,155,000
Shares issued for patents	**32,000**	383,000	–
Tax benefits related to stock options	**151,000**	–	–

Cash paid for interest was $1,071,000, $769,000, and $1,046,000 in 1997, 1996, and 1995, respectively. Cash paid for income taxes was $2,300,000, $4,496,000, and $599,000 in 1997, 1996, and 1995, respectively.

The Company considers all short-term investments with original maturities of three months or less to be cash equivalents.

i. Foreign Currency Translation

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

Balance sheets prepared in their functional currencies are translated to the reporting currency, the U.S. dollar, at exchange rates in effect at the end of the accounting period. Revenue and expense accounts are translated at a weighted average of exchange rates during the period. The cumulative effect of translation is a component of shareholders' equity.

j. Warranty

The Company warrants its products against defects in materials and workmanship for a period of one year. A provision for estimated future warranty is recorded when products are shipped.

k. Fair Value of Financial Instruments

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

The Company enters into foreign currency exchange contracts to manage foreign currency exposures. The principle objective of such contracts is to minimize the risks and/or costs associated with financial and global operating activities. The Company does not utilize financial instruments for trading or other speculative purposes.

The Company incurred commissions relating to these contracts of approximately $71,000, $145,000, and $120,000 during 1997, 1996, and 1995, respectively. No foreign currency contracts are outstanding as of December 31, 1997.

l. Authoritative Pronouncements

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income". SFAS No. 130 is effective for periods beginning after December 15, 1997. Therefore the Company will implement SFAS 130 in the first quarter of 1998. The statement requires that comprehensive income, which is the total of net income and all other non-owner changes in equity, be displayed in a financial statement with the same prominence as other consolidated financial statements. In addition, the standard encourages companies to display the components of other comprehensive income below the total for net income. The adoption of this standard in the first quarter of 1998 will only affect the presentation of the consolidated financial statements.

In June 1997, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information". The statement requires disclosures for segments using the "management approach", which is based on the way the chief operating decision-maker organizes segments within a company. This statement is effective for the year ending December 31, 1998, and it must be applied on a limited basis to interim periods thereafter. The adoption will have no effect on the Company's financial position or statements of income.

3. Marketable Securities

Marketable securities consist of commercial paper and other interest-bearing securities with original maturities in excess of three months. The Company accounts for these temporary investments in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". At December 31, 1997, the fair market value of temporary investments, classified as "available for sale securities", approximated cost, thus no unrealized holding gains or losses were reported in the accompanying balance sheets. During fiscal year 1997, the Company realized losses from the sale of securities of approximately $47,000. The Company recognized gains of $1,000 during 1996.

4. Inventories

The components of inventories consist of the following as of December 31, 1997 and 1996:

	1997	1996
Raw materials	**$ 3,741,000**	$ 2,973,000
Work in process	**3,206,000**	2,601,000
Finished goods	**7,622,000**	4,277,000
	$ 14,569,000	$ 9,851,000

5. Property, Plant, and Equipment

Property, plant, and equipment are stated at cost and are summarized as follows as of December 31, 1997 and 1996:

	1997	1996
Land and buildings	**$ 5,691,000**	$ 5,652,000
Machinery and equipment	**8,569,000**	6,533,000
Computer software	**3,083,000**	2,517,000
Furniture and office equipment	**8,859,000**	6,434,000
Leasehold improvements	**1,685,000**	1,447,000
Construction in progress	**1,007,000**	1,079,000
	28,894,000	23,662,000
Less: Accumulated depreciation and amortization	**(11,128,000)**	(7,547,000)
	$ 17,766,000	$ 16,115,000

6. Investments

On March 20, 1997, the Company sold certain research and licensing agreements valued at DM 760,000 (approximately $422,000 at December 31, 1997) to a newly founded company, CpG ImmunoPharmaceuticals, Inc.(CpG), for 2,040 shares of its preferred stock. Other shareholders of CpG include other significant shareholders of the Company. At December 31, 1997, the Company also has a receivable from CpG in the amount of $19,000.

On October 10, 1997, the Company purchased a 4% investment in another start-up company, Genome Pharmaceuticals Corporation AG (GPC), for $290,000. These investments were included in other assets in the accompanying 1997 balance sheet.

7. Intangible Assets

On November 1, 1996, the Company entered into an agreement with a research corporation and an individual for the Company to purchase certain patents, trademarks, and licensing rights for $100,000 cash and 14,000 shares of common stock, valued at $383,000. During 1997, the Company issued an additional 1,000 shares of common stock valued at $32,000 relating to this agreement.

During 1996, the Company also purchased rights from a university for certain patents in the amount of approximately $500,000.

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

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

All patents and related rights are amortized over five to seven years. The Company recognized amortization expense relating to these agreements of $133,000 and $15,000 for the years ended December 31, 1997 and 1996, respectively.

8. Income Taxes

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

The Company has recorded a net deferred tax asset of $1,088,000 at December 31, 1997. Realization is dependent on generating sufficient taxable income in the future. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset will be realized.

The components of the net deferred tax asset at December 31, 1997 and 1996 are as follows:

	1997	1996
Deferred tax asset:		
Allowance for bad debts	**$ 207,000**	$ 121,000
Vacation accrual	**106,000**	74,000
Warranty accrual	**134,000**	56,000
Net operating loss carryforward	**102,000**	139,000
Inventory	**373,000**	–
United States state income taxes	**104,000**	129,000
Capital leases	**327,000**	158,000
Accrued intercompany interest	**182,000**	–
Other	**–**	49,000
	1,535,000	726,000
Deferred tax liability:		
Depreciation	**(80,000)**	(120,000)
Inventory	**–**	(30,000)
Intangibles	**(286,000)**	(546,000)
Other	**(81,000)**	–
	(447,000)	(696,000)
Net deferred tax asset	**$ 1,088,000**	$ 30,000

The provision for income taxes for the years ended December 31, 1997, 1996, and 1995 are as follows:

	1997	1996	1995
Current - United States federal taxes	**$ 1,666,000**	$1,378,000	$ 545,000
- United States state taxes	**447,000**	380,000	159,000
- Non-United States taxes	**3,504,000**	1,209,000	1,080,000
	5,617,000	2,967,000	1,784,000
Deferred - United States federal taxes	**(313,000)**	(13,000)	(131,000)
- United States state taxes	**(81,000)**	29,000	29,000
- Non-United States taxes	**(459,000)**	348,000	448,000
	(853,000)	364,000	346,000
Provision for income taxes	**$ 4,764,000**	$3,331,000	$2,130,000

Differences between the provision for income taxes and income taxes at the United States statutory federal income tax rate for the years ended December 31, 1997, 1996, and 1995 are as follows:

	1997		1996		1995	
	Amount	Percent	Amount	Percent	Amount	Percent
Income taxes at United States statutory federal rate	**$ 4,589,000**	**34.0%**	$ 2,945,000	34.0%	$ 1,539,000	34.0%
United States state income taxes, net of federal income tax effect	**237,000**	**1.8%**	263,000	3.0%	87,000	1.9%
Non-United States taxes at rates greater than (less than) United States statutory federal rate	**(170,000)**	**(1.3%)**	80,000	0.9%	477,000	10.6%
Other items, net	**108,000**	**0.8%**	43,000	0.5%	27,000	0.6%
	$ 4,764,000	**35.3%**	$ 3,331,000	38.4%	$ 2,130,000	47.1%

9. Accrued Liabilities

Accrued liabilities at December 31, 1997 and 1996 consist of the following:

	1997	1996
Payroll and related	**$ 1,333,000**	$ 1,167,000
Management bonuses	**426,000**	318,000
Warranty	**274,000**	347,000
Unbilled services	**1,450,000**	607,000
Sales and other taxes	**463,000**	123,000
Deferred revenue	**103,000**	–
Royalties	**674,000**	117,000
Rent contract	**149,000**	–
Other	**239,000**	796,000
	$ 5,111,000	$ 3,475,000

10. Debt

The Company has five separate lines of credit amounting to DM 8,350,000 (approximately $4.6 million) with interest rates ranging from 6.5% to 7.0%. These lines of credit may be called without notice, and the availability of total credit is reduced by approximately $392,000 due to guarantees made by a bank against one of the credit facilities. Approximately $1.7 million was outstanding on December 31, 1997. No amounts were outstanding under these credit facilities on December 31, 1996. The Company also has three short-term loans due through April 1998 at interest rates ranging from 4.15 to 5.65%.

Long-term debt consists of a note payable for $764,000, which is secured by technical and other equipment. The note bears interest at 6.75% and is due in semi-annual payments of $127,000, with a final payment due in December 2000.

Future principal maturities of long-term debt as of December 31, 1997 are as follows:

Year ending December 31,	
1998	$ 255,000
1999	255,000
2000	254,000
	$ 764,000

11. Business Segments

A summary of net sales, pre-tax income, and identifiable assets for the Company's operations is as follows:

	1997	1996	1995
Sales:			
United States	**$ 44,137,000**	$ 31,543,000	$ 20,972,000
Germany	**47,687,000**	34,955,000	24,221,000
Other European Countries	**12,795,000**	8,190,000	5,032,000
Australia	**938,000**	260,000	–
Canada	**884,000**	–	–
Subtotal	**106,441,000**	74,948,000	50,225,000
Eliminations	**(32,167,000)**	(20,791,000)	(13,233,000)
Total	**$ 74,274,000**	$ 54,157,000	$ 36,992,000
Income (loss) before provision for income taxes and minority interest:			
The Netherlands	**$ 16,784,000**	$ 1,195,000	$ –
United States	**4,043,000**	4,315,000	1,419,000
Germany	**6,237,000**	19,736,000	2,115,000
Other European Countries	**1,228,000**	913,000	824,000
Australia	**(7,000)**	(86,000)	–
Canada	**85,000**	–	–
Japan	**(316,000)**	–	–
Subtotal	**28,054,000**	26,073,000	4,358,000
Eliminations	**(14,558,000)**	(17,412,000)	167,000
Total	**$ 13,496,000**	$ 8,661,000	$ 4,525,000
Identifiable Assets:			
The Netherlands	**$ 51,436,000**	$ 49,768,000	$ –
United States	**20,792,000**	13,586,000	7,448,000
Germany	**34,369,000**	42,096,000	22,635,000
Other European Countries	**6,024,000**	4,305,000	1,828,000
Australia	**340,000**	343,000	–
Canada	**970,000**	–	–
Japan	**474,000**	–	–
Subtotal	**114,405,000**	110,098,000	31,911,000
Eliminations	**(35,477,000)**	(43,908,000)	(5,708,000)
Total	**$ 78,928,000**	$ 66,190,000	$ 26,203,000

European sales include sales to distributors in countries other than Europe. United States sales include limited sales to customers in Latin America and Mexico. The eliminations represent intercompany sales and investments, advances, interest charges, management fees, and intercompany profit.

12. Stock Options

On April 30, 1996, the Company adopted the QIAGEN N.V. 1996 Employee, Director, and Consultant Stock Option Plan (the Option Plan). The Option Plan allows for incentive stock options, as well as for non-qualified options, generally with terms of 10 years, subject to earlier termination in certain situations. The options vest over a three-year period. The exercise price of the options is determined by the Board or by the Compensation Committee, but in the case of an incentive stock option, the exercise price may not be less than 100% of the fair market value at the date of grant. The Company has reserved 1,371,000 shares of common stock for issuance under this plan.

Information regarding the Option Plan as of December 31, 1996 and 1997, and changes during the years then ended is summarized as follows:

	Shares	Weighted Average Exercise Price
December 31, 1995	–	$ –
Granted	378,350	12.22
Exercised	–	–
Forfeited	(550)	14.00
December 31, 1996	377,800	$ 12.22
Granted	199,870	32.82
Exercised	(35,892)	10.08
Forfeited	(19,571)	17.54
December 31, 1997	522,207	$ 19.96

At December 31, 1996, no options were exercisable. At December 31, 1997, 88,634 options were exercisable at a weighted average price of $12.86 per share. The options outstanding at December 31, 1997 expire in various years through 2007.

Information about stock options outstanding at December 31, 1997 is summarized as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/97	Weighted Average Remaining Contract Life	Weighted Average Exercise Price	Number Exercisable at 12/31/97	Weighted Average Exercise Price
$ 9.50 – $ 9.50	238,800	8.3 years	$ 9.50	61,560	$ 9.50
$ 14.00 – $ 25.13	55,487	8.7 years	$ 16.56	12,287	$ 14.36
$ 25.75 – $ 25.75	144,700	9.1 years	$ 25.75	14,787	$ 25.75
$ 33.25 – $ 48.19	70,970	9.5 years	$ 40.42	–	$ –
$ 54.00 – $ 54.00	12,250	9.6 years	$ 54.00	–	$ –
$ 9.50 – $ 54.00	522,207	8.8 years	$ 19.96	88,634	$ 12.86

The Company has elected to adopt SFAS No. 123 for disclosure purposes only and applies Accounting Principles Board (APB) Opinion No. 25 and related interpretations in accounting for its employee stock options. No compensation cost was recognized relating to options for the years ended December 31, 1997 and 1996. Had compensation cost for the stock options awarded under the Option Plan been determined based on the fair value at the dates of grant consistent with the methodology of SFAS No. 123, the Company's net income and basic and diluted earnings per share would have reflected the following pro-forma amounts:

	1997	1996
Pro-forma Net Income	**$ 7,324,000**	$ 5,188,000
Pro-forma Basic Net Income per share	**$ 0.44**	$ 0.34
Pro-forma Diluted Net Income per share	**$ 0.43**	$ 0.34

The weighted average fair value of options granted during 1997 and 1996 was $16.89 and $6.23, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes multiple-option pricing model with the following assumptions used for the grants: weighted average risk-free interest rates of 5.70 and 6.35% and an expected life of five to seven years for the years ended December 31, 1997 and 1996, respectively. Expected volatility was 45%, and it is assumed that no dividends would be issued during the option term. Because the Company did not have a stock option program prior to 1996, the resulting pro-forma compensation cost may not be representative of that to be expected in future years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Option value models also require the input of highly subjective assumptions such as expected option life and expected stock price volatility. Because the Company's stock-based compensation plans have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, the Company believes that the existing option valuation models do not necessarily provide a reliable single measure of the fair value of awards from those plans.

13. Commitments and Contingencies

a. Lease Commitments

The Company leases facilities and equipment under operating lease arrangements expiring in various years through 2007. Certain facility and equipment leases constitute capital leases. The accompanying consolidated financial statements include the assets and liabilities arising from these capital lease obligations.

Minimum future obligations under capital and operating leases at December 31, 1997 are as follows:

	Capital Leases	Operating Leases
1998	$ 1,391,000	$ 2,420,000
1999	1,185,000	2,063,000
2000	733,000	1,144,000
2001	602,000	883,000
2002	471,000	869,000
Thereafter	3,983,000	1,483,000
	8,365,000	$ 8,862,000
Less: Amount representing interest	(2,782,000)	
	5,583,000	
Less: Current portion	(1,079,000)	
	$ 4,504,000	

Rent expense under noncancelable operating lease agreements was $2,376,000, $2,019,000, and $608,000 for the years ended December 31, 1997, 1996, and 1995, respectively.

b. Purchase Commitments

At December 31, 1997, the Company had commitments with several vendors to purchase certain products during 1998 at a total cost of approximately $7.6 million. The Company also has a commitment with one vendor to purchase products during 1999 and 2000 at a total cost of approximately $4.9 million and $6.6 million, respectively.

c. Contingencies

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

14. Retirement Plans

In September 1992, QIAGEN Inc. (U.S.) adopted the Employees 401(k) Savings Plan (the Plan). The purpose of the Plan is to provide retirement benefits to all eligible employees of the subsidiary. QIAGEN Inc. may make a matching contribution to the Plan at the discretion of the Board of Directors and can make a profit-sharing contribution to the Plan at the Board's discretion. In 1997, 1996, and 1995, the Company's total contributions to the Plan were approximately $118,000, $83,000, and $45,000, respectively.

QIAGEN GmbH has a deferred compensation plan for one officer. The present value of the future compensation obligation of $137,000, $93,000, and $89,000 has been accrued in the accompanying consolidated financial statements at December 31, 1997, 1996, and 1995, respectively.

15. Equity Transactions

a. Stock Issuance

Prior to the initial public offering, the Company issued 833,333 shares of common stock to certain existing shareholders including certain executive officers for $1,746,000. Cash of $17,000 was paid and the balance was financed through notes receivable. The notes receivable were repaid in July 1997.

In November 1996 and February 1997, the Company issued 14,000 and 1,000 shares, respectively, in connection with the purchase of patents and related rights (see Note 7).

b. Public Offerings

During 1996, the Company completed an initial public offering of its common stock. The Company sold 3,016,500 shares at a price of $12.00 per share. The gross proceeds of the initial public offering were $36,198,000. This amount, net of underwriting commissions, and other costs totaling $5,118,000, was recorded in common stock and capital in excess of par value in the accompanying financial statements.

In September 1997, certain shareholders sold 2,277,455 common shares in a public offering. The Company did not receive any of the proceeds from the sale of such shares.

16. Licensing Agreements

The Company has licensing agreements with companies, universities, and individuals, some of which require certain up-front payments. Royalty payments are required on net product sales ranging from 1 to 10% of covered products. Several of these agreements have minimum royalty requirements. The accompanying consolidated financial statements include accrued royalties relating to these agreements in the amount of $674,000 and $117,000 at December 31, 1997 and 1996, respectively. Royalty expense relating to these agreements amounted to $1,434,000, $261,000, and $95,000 for the years ended December 31, 1997, 1996, and 1995, respectively. Some of these agreements also have minimum raw material purchase requirements (see Note 13) and requirements to perform specific types of research. These licensing agreements are amortized over five to seven years.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of QIAGEN N.V. (a Netherlands company) and Subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of QIAGEN N.V. and Subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

(Signature)

ARTHUR ANDERSEN LLP

Los Angeles, California
February 9, 1998

EXECUTIVE OFFICERS AND SUPERVISORY DIRECTORS

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

Executive Officers

Dr. Metin Colpan
Managing Director, Chief Executive Officer

Mr. Peer M. Schatz
Chief Financial Officer

Chairman of the Supervisory Board

Professor Dr. jur. Carsten P. Claussen (1) is a partner in the law firm of Hoffmann Liebs and Partner. He is Chairman of Germania Epe AG and serves as a member of other boards.

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

Supervisory Directors

Mr. Peter Kaleschke (1)(2) is a Managing Partner of TVM Techno Venture Management. (Mr. Kaleschke will retire from the Supervisory Board at the June 1998 Shareholder Meeting.)

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

Mr. Jochen Walter (2) is Managing Director of RBS GmbH & Co. KG, the management company for S-Kapitalbeteiligungsgesellschaft Düsseldorf GmbH.

Dr. Franz A. Wirtz is Director of Grünenthal GmbH.

Mr. Erik Hornnaess is a consultant with many years experience in the diagnostic industry. (Nomination to be approved at the June 1998 Shareholder Meeting.)

Market Information

The Company's common stock has been traded on The Nasdaq Stock Market under the symbol QGENF since June 28, 1996. Prior to June 28, 1996, the Company's common stock was not publicly traded. The following table sets forth for the periods indicated the high and low sales price per share of the common stock as reported by The Nasdaq Stock Market.

1996:	High	Low
Second Quarter (from June 28, 1996)	15.125	15.125
Third Quarter	30.750	15.000
Fourth Quarter	31.250	23.625

1997:	High	Low
First Quarter	37.125	24.250
Second Quarter	50.125	31.375
Third Quarter	59.000	43.750
Fourth Quarter	48.500	38.250

In addition, the Company's common stock has been traded on the Neuer Markt division of the Frankfurt Stock Exchange since September 25, 1997. As of March 27, 1998, there were approximately 2,907 shareholders of record of the Company's common stock.

The Company has not paid any dividends on its common stock since its inception and does not intend to pay any dividends on its common stock in the foreseeable future. The Company intends to retain its earnings, if any, for the development of its business.

STOCKHOLDER INFORMATION

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Registrar and Transfer Agent

American Stock Transfer & Trust Company
40 Wall Street
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Phone (212)-936-5100

Stockholder Inquiries

Communications concerning transfer requirements, lost certificates, and change of address should be directed to the transfer agent. All other inquiries should be directed to:

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Annual Meeting

The Company expects to hold its Annual General Meeting of Stockholders on Monday, June 29, 1998 at 3:00 PM in Venlo, The Netherlands.

Information via Internet

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

SEC Form 20-F

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

Corporate Controller
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Dutch Annual Accounts

This Annual Report does not contain complete information related to the Company's statutory accounts, which must be adopted at the Annual General Meeting of stockholders pursuant to Dutch law.
A copy of the Dutch statutory accounts can be obtained free of charge by contacting:

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