MEDAREX INC
Form 3
September 15, 2006

FORM 3

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â Dinerstein Robert C
(Last) (First) (Middle)

C/O MEDAREX, INC.,Â 707 STATE ROAD
(Street)

PRINCETON,Â NJÂ 08540
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
09/13/2006

3. Issuer Name **and** Ticker or Trading Symbol
MEDAREX INC [MEDX]

4. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect (I)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares			

(Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Dinerstein Robert C C/O MEDAREX, INC. 707 STATE ROAD PRINCETON,Â NJÂ 08540	Â X	Â	Â	Â

Signatures

Robert C. Dinerstein	09/15/2006
**Signature of Reporting Person	Date

Explanation of Responses:

No securities are beneficially owned

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
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724,601

$
1,758,258

$
—

$
2,014,259

The fair values of the financial instruments presented in the tables above were determined as follows:
Cash Convertible Notes: Fair value is based on an estimation using available over-the-counter market information on the Cash Convertible Notes due in 2019, 2021 and 2023. During 2018, we determined that the quoted prices were from active markets and accordingly moved the fair value from level 2 to level 1 of the fair value hierarchy.
Private Placement: Fair value of the outstanding bonds is based on an estimation using the changes in the U.S. Treasury rates.
German Private Placement: Fair value is based on an estimation using changes in the euro swap rates.
The estimated fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future. There were no adjustments in the three- and nine-month periods ended September 30, 2018 and 2017 for nonfinancial assets or liabilities required to be measured at fair value on a nonrecurring basis.

9. Debt

Our credit facilities available and undrawn at September 30, 2018 total €426.6 million (approximately $493.8 million). This includes a €400.0 million syndicated multi-currency revolving credit facility expiring December 2021 of which no amounts were utilized at September 30, 2018 or at December 31, 2017, and three other lines of credit amounting to €26.6 million with no expiration date, none of which were utilized as of September 30, 2018 or at December 31, 2017. The €400.0 million facility can be utilized in Euro, British pounds sterling, Swiss franc or U.S. dollar and bears interest of 0.4% to 1.2% above three months EURIBOR, or LIBOR in relation to any loan not in euro, and is offered with interest periods of one, two, three, or six months. The commitment fee is calculated based on 35% of the applicable margin. The revolving facility agreement contains certain financial and non-financial covenants, including but not limited to, restrictions on the encumbrance of assets and the maintenance of certain financial ratios. We were in compliance with these covenants at September 30, 2018. The credit facilities are for general corporate purposes.

At September 30, 2018 or at December 31, 2017, long-term debt, net of debt issuance costs of $9.6 million and $12.4 million, respectively, consists of the following:

(in thousands)	2018	2017
0.375% Senior Unsecured Cash Convertible Notes due 2019	$424,102	$414,843
0.875% Senior Unsecured Cash Convertible Notes due 2021	277,264	270,762
0.500% Senior Unsecured Cash Convertible Notes due 2023	332,080	322,902
3.19% Series A Senior Notes due October 2019	72,283	72,742
3.75% Series B Senior Notes due October 2022	296,228	300,276
3.90% Series C Senior Notes due October 2024	26,926	26,921
Schuldschein Private Placement	339,336	349,812
Total long-term debt, including current portion	$1,768,219	$1,758,258
Less: current portion	701,366	—
Long-term portion	$1,066,853	$1,758,258

The notes are all unsecured obligations that rank pari passu.

Cash Convertible Notes due 2019, 2021 and 2023

On March 19, 2014, we issued $730.0 million aggregate principal amount of Cash Convertible Senior Notes of which $430.0 million is due in 2019 (2019 Notes) and $300.0 million is due in 2021 (2021 Notes). The aggregate net proceeds of the 2019 Notes and 2021

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Notes was $680.7 million, after payment of the net cost of the Call Spread Overlay described below and transaction costs. Additionally, we used $372.5 million of the net proceeds to repay other debt.
On September 13, 2017, we issued $400.0 million aggregate principal amount of Cash Convertible Senior Notes which is due in 2023 (2023 Notes). The net proceeds of the 2023 Notes were $365.6 million, after payment of the net cost of the call Spread Overlay described below and transaction costs.
We refer to the 2019 Notes, 2021 Notes and 2023 Notes collectively as the "Cash Convertible Notes." Interest on the Cash Convertible Notes is payable semi-annually in arrears in March and September of each year, at rates of 0.375%, 0.875% and 0.500% per annum for the 2019 Notes, 2021 Notes and 2023 Notes, respectively, commencing on September 19, 2014 for the 2019 Notes and 2021 Notes and March 13, 2018 for the 2023 Notes. The 2019 Notes will mature on March 19, 2019, the 2021 Notes will mature on March 19, 2021 and the 2023 Notes will mature on September 13, 2023 unless repurchased or converted in accordance with their terms prior to such date.
The Cash Convertible Notes are convertible solely into cash in whole, but not in part, at the option of noteholders in the following circumstances: (a) from April 29, 2014 through September 18, 2020 for the 2021 Notes and from October 24, 2017 through March 13, 2023 for the 2023 Notes (Contingent Conversion Period), under any of the Contingent Conversion Conditions and (b) at any time following the Contingent Conversion Period through the fifth business day immediately preceding the applicable maturity date. For further information on the Contingent Conversion Conditions, refer to Note 15 "Lines of Credit and Debt" of our Annual Report on Form 20-F. Upon conversion, noteholders will receive an amount in cash equal to the Cash Settlement Amount, calculated as described below. The Cash Convertible Notes are not convertible into shares of our common stock or any other securities.
The Contingent Conversion Period for the 2019 Notes has passed and noteholders may convert at any time through the fifth business day immediately preceding the maturity date.
Beginning on October 1, 2018 and ending at the close of business on December 31, 2018 (the “Relevant Fiscal Quarter”), the 2021 Notes may be surrendered for conversion. The 2021 Notes have become convertible pursuant to Section 12.01(b)(iv) of the indenture because the arithmetic mean of the last reported sale prices of our common stock, in each trading day in at least one 20 consecutive trading day period during the 30 consecutive trading day period ending on the last trading day of the preceding fiscal quarter, was greater than 130% of the conversion price in effect on such last trading day. The 2021 Notes will be convertible at a conversion ratio of 7,063.1647 per $200,000 principal amount of 2021 Notes, which is equivalent to a conversion price of approximately $28.32 per share of our common stock.
No Contingent Conversion Conditions were triggered for the 2023 Notes as of September 30, 2018.
For the 2023 Notes, the initial conversion rate is 4,829.7279 shares of our common stock per $200,000 principal amount (reflecting an initial conversion price of approximately $41.4102 per share of common stock). As adjusted by the synthetic share repurchase discussed in Note 12, the conversion rate for the 2019 Notes and 2021 Notes is 7,063.1647 shares of our common stock per $200,000 principal amount (reflecting an adjusted conversion price of approximately $28.32 per share of common stock). Upon conversion, holders are entitled to a cash payment (Cash Settlement Amount) equal to the average of the conversion rate multiplied by the daily volume-weighted average trading price for our common stock over a 50-day period. The conversion rate is subject to adjustment in certain instances but will not be adjusted for any accrued and unpaid interest. In addition, following the occurrence of certain corporate events that may occur prior to the applicable maturity date, we may be required to pay a cash make-whole premium by increasing the conversion rate for any holder who elects to convert Cash Convertible Notes in connection with the occurrence of such a corporate event, but in no event will the Conversion Ratio exceed 6,728.6463 per $200,000 principal amount of Notes.
We may redeem the 2019 Notes, 2021 Notes or 2023 Notes in their entirety at a price equal to 100% of the principal amount of the applicable Cash Convertible Notes plus accrued interest at any time when 20% or less of the aggregate principal amount of the applicable Cash Convertible Notes originally issued remain outstanding.
Because the Cash Convertible Notes contain an embedded cash conversion option, we have determined that the embedded cash conversion option is a derivative financial instrument, which is required to be separated from the Cash Convertible Notes and accounted for separately as a derivative liability, with changes in fair value reported in our consolidated statements of operations until the cash conversion option transaction settles or expires. The initial fair

value liability of the embedded cash conversion option for the 2019 Notes and 2021 Notes was $105.2 million and for the 2023 Notes was $74.5 million, which simultaneously reduced the carrying value of the Cash Convertible Notes (effectively an original issuance discount). For further discussion of the derivative financial instruments relating to the Cash Convertible Notes, refer to Note 7, “Derivatives and Hedging.”

As noted above, the reduced carrying value on the Cash Convertible Notes resulted in a debt discount that is amortized to the principal amount through the recognition of non-cash interest expense using the effective interest method over the expected life of the debt, which is five, seven and six years for the 2019 Notes, 2021 Notes and 2023 Notes, respectively. This resulted in our recognition of interest expense on the Cash Convertible Notes at an effective rate approximating what we would have incurred had nonconvertible debt with otherwise similar terms been issued. The effective interest rate of the 2019 Notes, 2021 Notes and 2023 Notes is 2.937%, 3.809% and 3.997%, respectively, which is imputed based on the amortization of the fair value of the embedded cash conversion

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option over the remaining term of the Cash Convertible Notes. As of September 30, 2018, we expect the 2019 Notes, 2021 Notes and 2023 Notes to be outstanding until their respective maturity dates.

In connection with the issuance of the 2019 Notes and 2021 Notes, we incurred approximately $13.1 million in transaction costs. We incurred approximately $6.2 million in transaction costs for the 2023 Notes. Such costs have been allocated to the Cash Convertible Notes and deferred as a long-term asset which are being amortized to interest expense using the effective interest method.

Interest expense related to the Cash Convertible Notes for the three and nine months ended September 30, 2018 and 2017 was comprised of the following:

	Three months ended September 30,	
(in thousands)	2018	2017
Coupon interest	$1,560	$1,153
Amortization of original issuance discount	7,544	5,061
Amortization of debt issuance costs	841	630
Total interest expense related to the Cash Convertible Notes	$9,945	$6,844

	Nine months ended September 30,	
(in thousands)	2018	2017
Coupon interest	$4,678	$3,272
Amortization of original issuance discount	22,433	14,031
Amortization of debt issuance costs	2,506	1,792
Total interest expense related to the Cash Convertible Notes	$29,617	$19,095

Cash Convertible Notes Call Spread Overlay

Concurrent with the issuance of the Cash Convertible Notes, we entered into privately negotiated hedge transactions (Call Options) with, and issued warrants to purchase shares of our common stock (Warrants) to, certain financial institutions. We refer to the Call Options and Warrants collectively as the “Call Spread Overlay”. The Call Options are intended to offset any cash payments payable by us in excess of the principal amount due upon any conversion of the Cash Convertible Notes. During 2014, we used $105.2 million of the proceeds from the issuance of the 2019 Notes and 2021 Notes to pay for the Call Options, and simultaneously received $69.4 million from the sale of the Warrants, for a net cash outlay of $35.8 million for the Call Spread Overlay.

During 2017, we used $73.6 million of the proceeds from the issuance of the 2023 Notes to pay for the premium for the Call Option, and simultaneously received $45.4 million from the sale of Warrants, for a net cash outlay of $28.3 million for the Call Spread Overlay. Issuance costs in connection with the Warrant and the Call Option were $0.3 million and $0.1 million respectively.

The Call Options are derivative financial instruments and are discussed further in Note 7 “Derivatives and Hedging.” The Warrants are equity instruments and are further discussed in Note 12 “Equity.”

Aside from the initial payment of a premium of $105.2 million (relating to the 2019 Notes and 2021 Notes) and $73.6 million (relating to the 2023 Notes) for the Call Option, we will not be required to make any cash payments under the Call Options, and will be entitled to receive an amount of cash, generally equal to the amount by which the market price per share of our common stock exceeds the exercise price of the Call Options during the relevant valuation period. The exercise price under the Call Options is initially equal to the conversion price of the Cash Convertible Notes.

The Warrants issued in connection with the 2019 Notes and 2021 Notes cover an aggregate of 25.8 million shares of our common stock (subject to anti-dilution adjustments under certain circumstances) and following the completion of the synthetic share repurchase, have an exercise price of $32.0558 per share, subject to customary adjustments. These Warrants expire as follows: Warrants to purchase 15.2 million shares expire over a period of 50 trading days beginning on December 27, 2018 and Warrants to purchase 10.6 million shares expire over a period of 50 trading days beginning on December 29, 2020.

Concurrent with the 2023 Notes, we issued Warrants which cover 9.7 million shares of our common stock (subject to anti-dilution adjustments under certain circumstances) and have an initial exercise price of $50.9664 per share, subject to customary adjustments. The Warrants expire over a period of 50 trading days beginning on June 26, 2023.

The Warrants that were issued with our Cash Convertible Notes discussed above could have a dilutive effect to the extent that the price of our common stock exceeds the applicable strike price of the Warrants. For each Warrant that is exercised, we will deliver to the holder a number of shares of our common stock equal to the amount by which the settlement price exceeds the exercise price, divided

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by the settlement price, plus cash in lieu of any fractional shares. We will not receive any additional proceeds if the Warrants are exercised. The Warrants are European-style (exercisable only upon expiration).

Private Placement

In October 2012, we completed a private placement through the issuance of new senior unsecured notes at a total amount of $400 million with a weighted average interest rate of 3.66% (settled on October 16, 2012). The notes were issued in three series: (1) $73 million 7-year term due in 2019 (3.19%); (2) $300 million 10-year term due in 2022 (3.75%); and (3) $27 million 12-year term due in 2024 (3.90%). We paid $2.1 million in debt issuance costs which are being amortized through interest expense over the lifetime of the notes. The note purchase agreement contains certain financial and non-financial covenants, including but not limited to, restrictions on priority indebtedness and the maintenance of certain financial ratios. We were in compliance with these covenants at September 30, 2018. During 2014, we entered into interest rate swaps, which effectively fixed the fair value of $200.0 million of this debt and qualify for hedge accounting as fair value hedges as described in Note 7 "Derivatives and Hedging."

German Private Placement (Schuldschein)

In 2017, we issued a German private placement bond ("Schuldschein") in several tranches totaling $331.1 million due in various periods through 2027. The Schuldschein consists of U.S. dollar and Euro denominated tranches. The Euro tranches are designated as a foreign currency non-derivative hedging instrument that qualifies as a net investment hedge as described in Note 7 "Derivatives and Hedging." We paid $1.2 million in debt issuance costs which are being amortized through interest expense over the lifetime of the notes. A summary of the tranches as of September 30, 2018 is as follows:

Currency	Notional Amount	Interest Rate	Maturity	Carrying Value as of September 30, 2018 (in thousands)	Carrying Value as of December 31, 2017 (in thousands)
EUR	€11.5 million	Fixed 0.4%	March 2021	$ 13,285	$ 13,660
EUR	€23.0 million	Floating EURIBOR + 0.4%	March 2021	26,570	27,320
EUR	€21.5 million	Fixed 0.68%	October 2022	24,829	25,535
EUR	€64.5 million	Floating EURIBOR + 0.5%	October 2022	74,486	76,605
USD	$45.0 million	Floating LIBOR + 1.2%	October 2022	44,883	44,862
EUR	€25.0 million	Floating EURIBOR + 0.5%	October 2022	28,856	31,792
EUR	€64.0 million	Fixed 1.09%	June 2024	73,895	76,005
EUR	€31.0 million	Floating EURIBOR + 0.7%	June 2024	35,793	36,815
EUR	€14.5 million	Fixed 1.61%	June 2027	16,739	17,218
				$ 339,336	$ 349,812

10. Income Taxes

The quarterly provision for income taxes is based upon the estimated annual effective tax rates for the year, applied to the current period ordinary income before tax plus the tax effect of any discrete items. Our operating subsidiaries are exposed to effective tax rates ranging from zero to more than 34%. Fluctuations in the distribution of pre-tax (loss) income among our operating subsidiaries can lead to fluctuations of the effective tax rate in the consolidated financial statements. In the third quarters of 2018 and 2017, our effective tax rates were 16.5% and 6.1%, respectively. In the nine-month periods ended September 30, 2018 and September 30, 2017, the effective tax rates were 17.7% and 0.5% respectively. Additionally, in 2018 and 2017, tax expense on foreign operations was favorably impacted by lower income tax rates and partial tax exemptions on foreign income primarily derived from operations in Germany, Singapore, Luxembourg, Ireland and Switzerland. These foreign tax benefits are due to a combination of favorable tax laws, rules, rulings, and exemptions in these jurisdictions. In particular, we have pre-tax income in Germany which is statutorily exempt from trade tax on intercompany foreign royalty income. Further, we have intercompany financing arrangements through Luxembourg and Ireland in which the intercompany income is partially exempt.

We assess uncertain tax positions in accordance with ASC 740 (ASC 740-10 Accounting for Uncertainties in Tax). At September 30, 2018, our net unrecognized tax benefits totaled approximately $49.0 million which, if recognized, would favorably impact our effective tax rate in the periods in which they are recognized. It is reasonably possible that approximately $13.3 million of the unrecognized tax benefits may be released during the next 12 months due to lapse of statutes of limitations or settlements with tax authorities. We cannot reasonably estimate the range of the potential outcomes of these matters.

We conduct business globally and, as a result, file numerous consolidated and separate income tax returns in The Netherlands, Germany, Switzerland and the U.S. federal jurisdiction, as well as in various other state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world. Our subsidiaries are generally no longer subject

to income tax examinations by tax authorities for years before 2013. During the first quarter of 2016, the U.S. tax authority (Internal Revenue Service) concluded its federal audit of our U.S. tax returns for 2011 and 2012 without any adjustments. In February 2016, German tax authorities began the audit of the German tax returns for the 2010 through 2013 tax years. This audit is currently in process and we expect to close the audit later in 2018.
As of September 30, 2018, residual Netherlands income taxes have not been provided on the undistributed earnings of the majority of our foreign subsidiaries as these earnings are considered to be either permanently reinvested or can be repatriated tax free under the Dutch participation exemption.
In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"), which allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. For those specific income tax effects of the Tax Cuts and Jobs Act ("2017 Tax Act") for which the accounting under ASC Topic 740 is incomplete, a reasonable estimate was determined. We have recognized the provisional tax impacts related to the interest expense deduction limitation and the revaluation of deferred tax assets and liabilities and included these amounts in our consolidated financial statements for the year ended December 31, 2017. The ultimate impact may differ from these provisional amounts due to additional analysis, changes in interpretations and assumptions that we have made, additional regulatory guidance that may be issued, and actions we may take because of the 2017 Tax Act. We did not identify items for which the income tax effects of the 2017 Tax Act have not been completed and a reasonable estimate could not be determined as of December 31, 2017. We expect to complete our analysis within the measurement period in accordance with SAB118.

11. Inventories

The components of inventories consist of the following as of September 30, 2018 and December 31, 2017:

(in thousands)	September 30, 2018	December 31, 2017
Raw materials	$ 23,818	$ 23,717
Work in process	33,015	33,153
Finished goods	103,135	99,057
Total inventories, net	$ 159,968	$ 155,927

12. Equity

Issuance of Warrants

In March 2014, in connection with the issuance of our 2019 Notes and 2021 Notes, we issued Warrants (as described in Note 9 "Debt") for approximately 25.8 million shares of our common stock (subject to antidilution adjustments under certain circumstances) with an exercise price of $32.085 per share, subject to customary adjustments. Following the synthetic share repurchase discussed below, the adjusted exercise price is $32.056. The proceeds, net of issuance costs, from the sale of these Warrants of approximately $68.9 million are included as additional paid in capital in the accompanying condensed consolidated balance sheets. These Warrants expire as follows: Warrants to purchase 15.2 million shares expire over a period of 50 trading days beginning on December 27, 2018 and Warrants to purchase 10.6 million shares expire over a period of 50 trading days beginning on December 29, 2020.
In September 2017, concurrent with the issuance of our 2023 Notes, we issued Warrants (as described in Note 9) for approximately 9.7 million shares of our common stock (subject to anti-dilution adjustments under certain circumstances) with an exercise price of $50.9664 per share, subject to customary adjustments. The proceeds from the sale of the Warrants, net of issuance costs, of approximately $45.3 million are included as additional paid in capital in the accompanying condensed consolidated balance sheets. The Warrants expire over a period of 50 trading days beginning on June 26, 2023.
These Warrants are exercisable only upon expiration. For each Warrant that is exercised, we will deliver to the holder a number of shares of our common stock equal to the amount by which the settlement price exceeds the exercise price, divided by the settlement price, plus cash in lieu of any fractional shares. These Warrants could separately have a dilutive effect on shares of our common stock to the extent that the market value per share of our common stock

exceeds the applicable exercise price of the Warrants (as measured under the terms of the Warrants).
Share Repurchase Programs
On April 27, 2016, we announced the launch of our fourth $100 million share repurchase program which was completed by the end of 2017. During the third quarter of 2017, 1.9 million QIAGEN shares were repurchased for $61.0 million (including transaction costs).
On January 31, 2018, we announced our fifth share repurchase program of up to $200 million of our common shares. During the nine months ended September 30, 2018, we repurchased 2.0 million QIAGEN shares for $75.3 million (including transaction costs) of

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which $66.6 million was paid as of September 30, 2018. During October 2018, we purchased 0.7 million shares for a total of €20.4 million.

The cost of repurchased shares is included in treasury stock and reported as a reduction in total equity when a repurchase occurs. Repurchased shares will be held in treasury in order to satisfy various obligations, which include exchangeable debt instruments, warrants and employee share-based remuneration plans.

Synthetic Share Repurchase Program

In August 2016, we announced our plan to return approximately $250.0 million to shareholders through a synthetic share repurchase program that combines a direct capital repayment with a reverse stock split. The synthetic share repurchase was implemented through a series of amendments to our Articles of Association which were approved by our shareholders at an Extraordinary General Meeting (EGM) held on October 26, 2016. The first amendment involved an increase in share capital by an increase in the nominal value per common share from EUR 0.01 to EUR 1.04 and a corresponding reduction in additional paid in capital. The second amendment involved a reduction in stock whereby 27 existing common shares with a nominal value of EUR 1.04 each were consolidated into 26 new common shares with a nominal value of EUR 1.08 each. The third amendment was a reduction of the nominal value per common share from EUR 1.08 to EUR 0.01. As a result of these amendments, which in substance constitute a synthetic share buyback, $243.9 million was repaid to our shareholders and the outstanding number of common shares was reduced by 8.9 million, or 3.7%. The capital repayment program was completed in January 2017. Expenses incurred related to the capital repayment and share consolidation amounted to $0.5 million and were charged to equity.

Accumulated Other Comprehensive Loss

The following table is a summary of the components of accumulated other comprehensive loss as of September 30, 2018 and December 31, 2017:

(in thousands)	September 30, 2018	December 31, 2017
Net unrealized loss on hedging contracts, net of tax	$ (22,582)	$ (30,487)
Net unrealized loss on marketable securities, net of tax	—	(942)
Net unrealized loss on pension, net of tax	(878)	(878)
Foreign currency effects from intercompany long-term investment transactions, net of tax of $10.1 million in 2018 and $7.9 million 2017	(24,841)	(16,144)
Foreign currency translation adjustments	(256,872)	(172,308)
Accumulated other comprehensive loss	$ (305,173)	$ (220,759)

13. Revenue

Accounting Policies

We adopted Topic 606 Revenue from Contracts with Customers with a date of initial application of January 1, 2018. Therefore, the comparative information has not been adjusted and continues to be reported under ASC Topic 605 Revenue Recognition. As a result, we changed our accounting policy for revenue recognition as detailed below.

We applied Topic 606 using the modified retrospective method by recognizing the effect of initially applying Topic 606 as an $1.3 million adjustment to the opening balance of retained earnings at January 1, 2018 for all contracts not completed at January 1, 2018. The following table presents the impact from the adoption of Topic 606 on our condensed consolidated balance sheet:

(in thousands)	Balance at December 31, 2017	Topic 606 Adjustments	Balance at January 1, 2018
Accounts receivable	$329,138	$ 160	$329,298
Accrued and other current liabilities	$244,114	$ 765	$244,879
Long-term deferred income tax assets	$39,353	$ 701	$40,054
Retained earnings	$1,247,945	$ (1,306)	$1,246,639

The adoption of Topic 606 resulted in higher revenue of $6.7 million and $9.0 million for the three and nine month periods ended September 30, 2018, respectively, following primarily the change in the timing of the recognition of milestone payments. The following tables summarizes the impacted line items from our condensed consolidated statement of income for the three and nine month periods ended September 30, 2018:

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(in thousands, except per share amounts)	Three months ended September 30, 2018 under previous standard	Effect of Topic 606	September 30, 2018 As Reported
Net sales	$ 371,199	$ 6,712	$ 377,911
Income taxes	$ 10,778	$ 1,105	$ 11,883
Net income	$ 54,713	$ 5,607	$ 60,320
Basic earnings per common share	$ 0.24	$ 0.02	$ 0.27
Diluted earnings per common share	$ 0.23	$ 0.02	$ 0.26

(in thousands, except per share amounts)	Nine months ended September 30, 2018 under previous standard	Effect of Topic 606	September 30, 2018 As Reported
Net sales	$ 1,089,679	$ 8,996	$ 1,098,675
Income taxes	$ 26,280	$ 1,594	$ 27,874
Net income	$ 122,028	$ 7,402	$ 129,430
Basic earnings per common share	$ 0.54	$ 0.03	$ 0.57
Diluted earnings per common share	$ 0.52	$ 0.03	$ 0.55

The impact from the adoption of Topic 606 on our condensed consolidated balance sheet as of September 30, 2018 and condensed consolidated statement of cash flow for the nine months ended September 30, 2018 was not material.

Nature of Goods and Services

Our revenues are reported net of sales and value added taxes and accruals for estimated rebates and returns and are derived primarily from the sale of consumable and instrumentation products, and to a much lesser extent, from the sale of services, intellectual property and technology. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of products and services, which are generally distinct and accounted for as separate performance obligations. The transaction price is allocated to performance obligations based on their relative stand-alone selling prices.

We offer warranties on our products. Certain of our warranties are assurance-type in nature and do not cover anything beyond ensuring that the product is functioning as intended. Based on the guidance in Topic 606, assurance-type warranties do not represent separate performance obligations. The Company also sells separately-priced service contracts which qualify as service-type warranties and represent separate performance obligations.

We sell our products and services both directly to customers and through distributors generally under agreements with payment terms typically less than 90 days and in most cases not exceeding one year and therefore contracts do not contain a significant financing component.

Consumable and Related Revenue

Consumable Products: In the last three years, revenue from consumable product sales has accounted for approximately 79%-80% of our net sales and revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied. The majority of our contracts have a single performance obligation to transfer a product or multiple performance obligations to transfer multiple products concurrently. Accordingly, we recognize revenue when control of the products has transferred to the customer, which is generally at the time of shipment of

products as this is when title and risk of loss have been transferred. In addition, invoicing typically occurs at this time so this is when we have a present right to payment. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products and is generally based upon a negotiated, formula, list or fixed price.
Related Revenue: Revenues from related products include software-as-a-service (SaaS), licenses, intellectual property and patent sales, royalties and milestone payments and over the last three years has accounted for approximately 7%-8% of our net sales.
SaaS arrangements: Revenue from SaaS arrangements, which allow customers to use hosted software over the contract period without taking possession of the software, is recognized over the duration of the agreement unless the terms of the agreement indicate that revenue should be recognized in a different pattern, for example based on usage.
Licenses: Licenses for on-site software, which allow customers to use the software as it exists when made available, are sold as perpetual licenses or subscriptions. Revenue from on-site licenses are recognized upfront at the point in time at the later of when

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the software is made available to the customer and the beginning of the license term. When a portion of the transaction price is allocated to a performance obligation to provide support and/or updates, revenue is recognized as the updates/support are provided, generally over the life of the license. Fees from research collaborations include payments for technology transfer and access rights. Royalties from licensees of intellectual property are based on sales of licensed products and revenues are recognized at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Milestone Payments: At the inception of each companion diagnostic co-development arrangement that includes development milestone payments, which represent variable consideration, we evaluate whether the milestones are probable of being reached and estimate the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within our control, such as milestones which are achieved through regulatory approvals, are considered to be constrained and excluded from the transaction price until those approvals are received. Revenue is recognized following the input method as this is considered to best depict the timing of the transfer of control. This involves measuring actual hours incurred to date as a proportion of the total budgeted hours of the project. At the end of each subsequent reporting period, the proportion of completion is trued-up. We also re-evaluate the probability of achievement of development milestones and any related constraint on a periodic basis, and if necessary, adjust our estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

Instruments

Revenue from instrumentation includes the instrumentation equipment, installation, training and other instrumentation services, such as extended warranty services or product maintenance contracts and over the last three years has accounted for approximately 12%-13% of net sales. Revenue from instrumentation equipment is recognized when the customer obtains control of the instrument which is predominantly at the time of delivery or when title has transferred to the customer. Service revenue is recognized over the term of the service period as the customers benefit from the service throughout the service period. Revenue related to services performed on a time-and-materials basis is recognized when performed

Contract Estimates

The majority of our revenue is derived from contracts (i) with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount in which we have the right to invoice as product is delivered. We have elected the practical expedient not to disclose the value of remaining performance obligations associated with these types of contracts.

However, we have certain companion diagnostic co-development contracts to provide research and development activities in which our performance obligations extend over multiple years. As of September 30, 2018, we had $38.2 million of remaining performance obligations for which the transaction price is not constrained related to these contracts of which we expect to recognize approximately 50% over the next 12 months and the remainder thereafter. Revenue expected to be recognized in any future year related to remaining performance obligations, excluding revenue pertaining to contracts that have an original expected duration of one year or less, contracts where revenue is recognized as invoiced and contracts with variable consideration related to undelivered performance obligations, is not material.

Contract Balances

The timing of revenue recognition, billings and cash collections can result in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) in the condensed consolidated balance sheet.

Contract assets (unbilled receivables) as of September 30, 2018 totaled $8.1 million and are included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheet and relate to the companion diagnostic co-development contracts discussed above. There were no material contract assets as of January 1, 2018.

Contract liabilities primarily relate to advances or deposits received from customers before revenue is recognized and is primarily related to instrument service and software subscription revenue. As of September 30, 2018 and December 31, 2017, the amount of deferred revenue reported as accrued and other current liabilities totaled to $42.3 million and $49.4 million, respectively, and $6.4 million and $6.1 million are reported as other long-term liabilities, respectively. During the three and nine months ended September 30, 2018, we satisfied the associated performance obligations and recognized revenue of $10.2 million and $42.4 million, respectively, related to advance customer payments previously received.

Practical Expedients and Accounting Policy Elections

We exclude from net sales any value add, sales and other taxes which we collect concurrent with revenue-producing activities. If we perform shipping and handling activities after the transfer of control to the customer (e.g., when control transfers prior to delivery), they are considered as fulfillment activities, and accordingly, the costs are accrued when the related revenue is recognized. As such, shipping and handling fees billed to customers in a sales transaction are recorded in net sales and shipping and handling costs incurred are recorded in sales and marketing expenses. We recognize the incremental costs of obtaining contracts (commissions) as an expense when incurred for contracts that have a duration of one year or less. There were no deferred contract costs recorded at September 30, 2018. We apply the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less.

Disaggregation of Revenue

We disaggregate our revenue based on product categories and customer class as shown in the table below:

	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
(in thousands)	Consumables and related	Instruments	Total	Consumables and related	Instruments	Total
Molecular Diagnostics	$167,507	$ 21,535	$189,042	$159,972	$ 19,854	$179,826
Applied Testing	28,187	6,880	35,067	28,101	7,490	35,591
Pharma	63,687	7,439	71,126	61,387	7,522	68,909
Academia	72,095	10,581	82,676	71,737	7,914	79,651
Total	$331,476	$ 46,435	$377,911	$321,197	$ 42,780	$363,977

	Nine Months Ended September 30, 2018			Nine Months Ended September 30, 2017		
(in thousands)	Consumables and related	Instruments	Total	Consumables and related	Instruments	Total
Molecular Diagnostics	$480,324	$ 57,035	$537,359	$437,093	$ 52,642	$489,735
Applied Testing	79,417	18,787	98,204	78,094	19,472	97,566
Pharma	193,894	22,339	216,233	181,008	21,605	202,613
Academia	217,647	29,232	246,879	206,948	23,811	230,759
Total	$971,282	$ 127,393	$1,098,675	$903,143	$ 117,530	$1,020,673

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2018	2017	2018	2017
Americas	$185,717	$172,003	$524,387	$477,271
Europe, Middle East and Africa	111,006	117,010	347,161	329,466
Asia Pacific and Rest of World	81,188	74,964	227,127	213,936
Total	$377,911	$363,977	$1,098,675	$1,020,673

14. Earnings per Common Share

We present basic and diluted earnings per share. Basic earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution that would occur if all "in the money" securities to issue common shares were exercised. The following table for the three- and nine-month periods ended September 30, 2018 and 2017 summarizes the information used to compute earnings per common share:

	Three months ended September 30,	
(in thousands, except per share data)	2018	2017
Net income	$60,320	$48,485
Weighted average number of common shares used to compute basic net income per common share	226,623	227,729
Dilutive effect of stock options and restricted stock units	4,684	4,645
Dilutive effect of outstanding warrants	3,844	347
Weighted average number of common shares used to compute diluted net income per common share	235,151	232,721
Outstanding options and awards having no dilutive effect, not included in above calculation	—	1
Outstanding warrants having no dilutive effect, not included in above calculation	31,572	35,070
Basic earnings per common share	$0.27	$0.21
Diluted earnings per common share	$0.26	$0.21

	Nine months ended September 30,	
(in thousands, except per share data)	2018	2017
Net income	$129,430	$80,087
Weighted average number of common shares used to compute basic net income per common share	226,939	228,555
Dilutive effect of stock options and restricted stock units	4,674	4,757
Dilutive effect of outstanding warrants	2,210	116
Weighted average number of common shares used to compute diluted net income per common share	233,823	233,428
Outstanding options and awards having no dilutive effect, not included in above calculation	148	63
Outstanding warrants having no dilutive effect, not included in above calculation	33,206	28,890
Basic earnings per common share	$0.57	$0.35
Diluted earnings per common share	$0.55	$0.34

15. Commitments and Contingencies

Contingent Consideration Commitments

Pursuant to the purchase agreements for certain acquisitions and other contractual arrangements, we could be required to make additional contingent cash payments totaling up to $69.3 million based on the achievement of certain revenue and operating results milestones as follows: $5.0 million in the remainder of 2018, $23.7 million in 2019, $16.8 million in 2020, $5.9 million in 2021, $5.9 million in 2024 and $5.0 million and $7.0 million payable in any 12-month period from now through 2028 and 2029, respectively, based on the achievement of certain revenue or other milestones, regulatory approvals or clearances. Of the $69.3 million total contingent obligation as discussed further in

Note 8 "Financial Instruments and Fair Value Measurements," we have assessed the fair value at September 30, 2018 to be $51.4 million, of which $26.0 million is included in accrued and other current liabilities and $25.4 million is included in other long-term liabilities in the accompanying condensed consolidated balance sheet.

Contingencies

In the ordinary course of business, we provide a warranty to customers that our products are free of defects and will conform to published specifications. Generally, the applicable product warranty period is one year from the date of delivery of the product to the customer or of site acceptance, if required. Additionally, we typically provide limited warranties with respect to our services. From

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time to time, we also make other warranties to customers, including warranties that our products are manufactured in accordance with applicable laws and not in violation of third-party rights. We provide for estimated warranty costs at the time of the product sale. We believe our warranty reserves of $3.0 million and 3.1 million as of September 30, 2018 and December 31, 2017, appropriately reflect the estimated cost of such warranty obligations.

Litigation

From time to time, we may be party to legal proceedings incidental to our business. As of September 30, 2018, certain claims, suits or legal proceedings arising out of the normal course of business have been filed or were pending against QIAGEN or our subsidiaries. These matters have arisen in the ordinary course and conduct of business, as well as through acquisition. Although it is not possible to predict the outcome of such litigation, we assess the degree of probability and evaluate the reasonably possible losses that we could incur as a result of these matters. We accrue for any estimated loss when it is probable that a liability has been incurred and the amount of probable loss can be estimated. Litigation accruals totaled $8.6 million as of September 30, 2018. The estimated amount of a range of possible losses is between $5.0 million and $9.0 million. Based on the facts known to QIAGEN and after consultation with legal counsel, management believes that such litigation will not have a material adverse effect on our financial position or results of operations above the amounts accrued. However, the outcome of these matters is ultimately uncertain, thus any settlements or judgments against us in excess of management's expectations could have a material adverse effect on our financial position, results of operations or cash flows.

16. Share-Based Compensation

Stock Units

Stock units represent rights to receive our common shares at a future date and include restricted stock units which are subject to time-based vesting only and performance stock units which include performance conditions in addition to time-based vesting. During the three- and nine-month periods ended September 30, 2018, we granted 18.0 thousand and 1.3 million stock awards compared to 8.0 thousand and 1.9 million stock awards for the three- and nine-month periods ended September 30, 2017.

At September 30, 2018, there was $79.5 million remaining in unrecognized compensation expense, less estimated forfeitures, related to these awards which will be recognized over a weighted-average period of 2.35 years.

Share-Based Compensation Expense

Total share-based compensation expense for the three- and nine-month periods ended September 30, 2018 and 2017 is comprised of the following:

	Three months ended September 30,	
Compensation Expense (in thousands)	2018	2017
Cost of sales	$576	$734
Research and development	1,910	1,552
Sales and marketing	2,807	1,763
General and administrative, restructuring, integration and other, net	6,044	4,585
Share-based compensation expense before taxes	11,337	8,634
Less: income tax benefit	2,522	1,994
Net share-based compensation expense	$8,815	$6,640

	Nine months ended September 30,	
Compensation Expense (in thousands)	2018	2017
Cost of sales	$2,124	$2,098
Research and development	4,828	4,001
Sales and marketing	7,377	6,533

General and administrative, restructuring, integration and other, net	16,281	15,060
Share-based compensation expense before taxes	30,610	27,692
Less: income tax benefit	6,629	6,376
Net share-based compensation expense	$23,981	$21,316

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No compensation cost was capitalized in inventory at September 30, 2018 or September 30, 2017 as the amounts were not material.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

This section contains a number of forward-looking statements. These statements are based on current management expectations, and actual results may differ materially. Among the factors that could cause actual results to differ from management’s expectations are those described in “Risk Factors” and “Forward-looking and Cautionary Statements” below.

Forward-looking and Cautionary Statements

This report contains forward-looking statements that are subject to risks and uncertainties. These statements can be identified by the use of forward-looking terminology, such as “believe,” “hope,” “plan,” “intend,” “seek,” “may,” “will,” “coul “should,” “would,” “expect,” “anticipate,” “estimate,” “continue” or other similar words. Such statements are based on management’s current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. We caution investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements as a result of various factors, including, but not limited to, the following: risks associated with our expansion of operations, including the acquisition of new businesses; variability in our operating results from quarter to quarter; management of growth, international operations, and dependence on key personnel; intense competition; technological change; our ability to develop and protect proprietary products and technologies and to enter into and maintain collaborative commercial relationships; our future capital requirements; general economic conditions and capital market fluctuations; and uncertainties as to the extent of future government regulation of our business. As a result, our future success involves a high degree of risk. For further information, refer to the more specific risks and uncertainties discussed in Part 1, Item 3 "Key Information" of our Annual Report on Form 20-F for the year ended December 31, 2017 and under the heading "Risk Factors" below.

Results of Operations

Overview

We are a leading global provider of Sample to Insight solutions to transform biological materials into valuable molecular insights. QIAGEN sample technologies isolate and process DNA, RNA and proteins from any biological sample, such as blood or tissue. Assay technologies make these biomolecules visible and ready for analysis, such as identifying the DNA of a virus or a mutation of a gene. Bioinformatics solutions integrate software and cloud-based resources to interpret increasing volumes of biological data and report relevant, actionable insights. Our automation solutions tie these together in seamless and cost-effective molecular testing workflows.

We sell our products - consumables, automated instrumentation systems using those technologies, and bioinformatics to analyze and interpret the data - to four major customer classes:

- Molecular Diagnostics - healthcare providers engaged in many aspects of patient care including Prevention, Profiling of diseases, Personalized Healthcare and Point of Need testing
- Applied Testing - government or industry customers using molecular technologies in fields such as forensics, veterinary diagnostics and food safety testing
- Pharma - pharmaceutical and biotechnology companies using molecular testing to support drug discovery, translational medicine and clinical development efforts
- Academia - researchers exploring the secrets of life such as the mechanisms and pathways of diseases, and in some cases translating that research into drug targets or commercial applications

We market products in more than 130 countries, mainly through subsidiaries in markets we believe have the greatest sales potential in Europe, Asia, the Americas and Australia. We also work with specialized independent distributors and importers. As of September 30, 2018, we employed approximately 4,900 people in more than 35 locations worldwide.

Sustaining growth trajectory with Sample to Insight portfolio

QIAGEN is focused on growth opportunities for its Sample to Insight portfolio across the continuum of molecular testing from basic research to clinical healthcare. Among recent developments:

- NeuMoDx, a next-generation automation system for PCR (polymerase chain reaction) testing, opens the important high-throughput segment of molecular diagnostics to QIAGEN. In September, QIAGEN began commercialization of the NeuMoDx™ 288 (high-throughput version) and NeuMoDx™ 96 (mid-throughput) in Europe and other major markets outside the United States. QIAGEN is introducing the platforms along with the first two CE-IVD marked diagnostic tests in a strategic partnership with NeuMoDx Molecular, Inc. NeuMoDx Molecular is responsible for commercialization in the United States. The companies have entered into a merger agreement under which QIAGEN can acquire all remaining shares for approximately $234 million, subject to the achievement of certain regulatory and operational milestones between mid-2019

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and mid-2020. The companies are collaborating to develop a growing menu of additional tests to add to the diagnostic insights offered by the NeuMoDx systems.

- QuantiFERON-TB QIAGEN’s gold-standard blood test for latent tuberculosis (TB) infection, continues to grow rapidly as authorities increasingly add screening with modern, accurate blood tests such as QuantiFERON-TB Gold Plus (QFT-Plus) to strategies for fighting TB. In September, at the first-ever high-level United Nations meeting on tuberculosis, world leaders committed to mobilize $13 billion a year by 2022 for TB prevention and care, including preventive testing and treatment for 30 million people. Also in September, QIAGEN and DiaSorin launched an automated, CE-marked workflow for processing a version of QFT-Plus on DiaSorin’s widely used LIAISON immunodiagnostic instruments. More than 7,000 LIAISON systems have been placed worldwide, primarily in hospital laboratories. Co-marketing has begun in Europe. Availability is planned for the United States in 2019 and China in 2020.
- QIAstat-Dx, the highly flexible, one-step automation system for multiplex PCR analysis, is establishing a footprint in the growing market for syndromic testing. QIAGEN has launched the next-generation solution for diagnosis of complex syndromes in Europe and other markets, with the first two CE-IVD marked tests offering differential diagnosis of respiratory and gastrointestinal (GI) infections. The GI panel was recently upgraded to include comprehensive viral coverage, along with bacterial and parasitic syndromes. QIAstat-Dx benefits patients and saves money in healthcare with easy-to-use tests that can be analyzed rapidly delivering results in about one hour to enable quick, accurate treatment decisions in hospitals, clinics or laboratories. QIAstat-Dx is on track to exceed 100 placements by year-end 2018, and QIAGEN plans regulatory submissions for an expected U.S. launch in 2019.
- Next-generation sequencing (NGS), continues to gain momentum from QIAGEN’s universal solutions for DNA and RNA sequencing on any platform, as well as the GeneReader NGS System, the world’s first truly Sample to Insight benchtop NGS automation system. QIAGEN recently launched QIAseq FastSelect RNA Removal Kits, a breakthrough technology enabling faster, simpler library preparation to address a bottleneck in RNA sequencing on any platform. The removal kits join QIAGEN’s industry-leading portfolio of solutions to optimize RNA sequencing workflows. Meanwhile, the GeneReader system is growing in placements and consumable sales amid ongoing validation from studies of clinical oncology variants presented at research meetings such as the American Society of Human Genetics (ASHG) in October.
- In Personalized Healthcare QIAGEN received U.S. Food and Drug Administration approval in September for the therascreen® EGFR RGQ PCR Kit as a companion diagnostic to help guide the use of Pfizer’s VIZIMPRO® (dacomitinib) as a first-line treatment of patients with non-small cell lung cancer (NSCLC). This is QIAGEN’s first approved companion diagnostic with Pfizer, and third FDA approval for the therascreen EGFR kit. Another strategy for cancer treatment, immuno-oncology, gained visibility recently when the Nobel Prize in Medicine was awarded to two scientists who pioneered research on the interaction of genetically-driven proteins and T-cells, culminating in the development of immuno-oncology drugs. QIAGEN is partnering with leading pharma companies in immuno-oncology to co-develop companion diagnostics that can aid in the selection of patients based on testing with proprietary biomarkers and gene expression profiles that identify those most likely to respond.

Three- and Nine-Month Periods Ended September 30, 2018 compared to Three- and Nine-Month Periods Ended September 30, 2017

Net Sales

In the third quarter of 2018, net sales grew 3.8% to $377.9 million compared to $364.0 million in the third quarter of 2017, and was impacted by 2.7% percentage points from adverse currency movements against the U.S. dollar. We experienced good volume gains across the consumables and related revenues portfolio, while instrument sales were supported by solid placements of the QIAsymphony automation system. Net sales grew 7.6% in the first nine months of 2018 to $1,098.7 million from $1,020.7 million in the year-ago period, including 1.2% percentage points from positive currency movements against the U.S. dollar.

Net sales by product category and customer class	Third quarter 2018			First nine months 2018		
	Sales (In $ m)	% change	% of sales	Sales (In $ m)	% change	% of sales
Consumables and related revenues	$331	+3%	88%	$971	+8%	88%
Instruments	$46	+9%	12%	$127	+8%	12%
Molecular Diagnostics(1)	$189	+5%	50%	$537	+10%	49%
Applied Testing	$35	-1%	9%	$98	+1%	9%
Pharma	$71	+3%	19%	$216	+7%	20%
Academia	$83	+4%	22%	$247	+7%	22%

(1) Includes companion diagnostic co-development revenues (Q3 2018: $17 million, +48% and 9M 2018: $39 million, +60%) and U.S. HPV sales (Q3 2018: $6 million vs. Q3 2017: $8 million and 9M 2018: $15 million vs. 9M 2017: $19 million)

Molecular Diagnostics grew 5% in the third quarter of 2018, and this included an adverse currency movement of four percentage points of sales growth, and advanced on gains in QuantiFERON-TB sales and solid growth in Personalized Healthcare, primarily due to higher revenues from companion diagnostic pharma collaborations. In the first nine months of 2018, Molecular Diagnostics advanced 10%, and were supported by one percentage point of sales growth from positive currency movements compared to the year-ago period.

Applied Testing declined 1% during the third quarter of 2018, and this included an adverse currency movement of two percentage points of sales growth. The performance was impacted by the divestment of a portfolio of veterinary testing products in early 2018 and a challenging comparison to strong sales after a new U.S. forensics product launch in 2017. In the first nine months of 2018, Applied Testing sales increased 1%, and were supported by two percentage points of sales growth from positive currency movements.

Pharma sales rose 3% in the third quarter of 2018, and this included an adverse currency movement of two percentage point of sales growth. Positive customer demand trends supported higher sales in the Americas region, which more than offset slower trends in the Asia-Pacific/Japan region. In the first nine months of 2018, Pharma sales increased 7%, and was supported by two percentage points of sales growth from favorable currency movements.

Academia grew 4% in the third quarter of 2018, and this included an adverse currency movement of one percentage point of sales growth. Academia experienced growth in both consumables and instrument sales, and led by a solid performance in the Asia-Pacific/Japan region. In the first nine months of 2018, Academia sales rose 7% and were supported by three percentage points of favorable currency movements to sales growth.

Net sales by geographic region	Third quarter 2018			First nine months 2018		
	Sales (In $ m)	% change	% of sales	Sales (In $ m)	% change	% of sales
Americas	$186	+8%	49%	$524	+10%	48%
Europe / Middle East / Africa	$111	-5%	30%	$347	+5%	32%
Asia-Pacific / Japan	$80	+8%	21%	$225	+6%	20%

Q3 2018 and 9M 2018: Rest of world represented less than 1% of net sales.

The Americas and Asia-Pacific / Japan regions contributed to the improved performance in the third quarter of 2018. The Americas region led with 8% growth with significant growth in Molecular Diagnostics. The EMEA region experienced 5% decline in the third quarter of 2018 including impacts of adverse currency of six percentage points. Weaker sales in France and the Benelux region were partially offset by gains in Italy and Germany as well as the geographic expansion in the Middle East and Africa. The Asia-Pacific/Japan region experienced 8% growth, and this included adverse currency movements of three percentage points. The top seven emerging markets provided 17% of sales and 7% of growth including the loss of twelve percentage points of sales growth due to adverse currency movements. During the first nine months of 2018, these top seven emerging markets delivered 7% growth including three percentage points of adverse currency movements.

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Gross Profit

Gross profit was $256.8 million (68% of net sales) for the three-month period ended September 30, 2018, as compared to $240.9 million (66% of net sales) in the same period in 2017. Gross profit for the nine-month period ended September 30, 2018 was $736.2 million (67% of net sales) as compared to $661.3 million (65% of net sales) for the same period of 2017. Generally, our consumables and related products have a higher gross margin than our instrumentation products and service arrangements. Fluctuations in the sales levels of these products and services can result in fluctuations in gross margin between periods. The 2018 growth in consumables contributed to the higher margin in the nine-month period ended September 30, 2018.

Amortization expense related to developed technology and patent and license rights, which have been acquired in business combinations, is included in cost of sales. In the third quarter of 2018, the amortization expense on acquisition-related intangibles within cost of sales decreased to $13.2 million compared to $16.8 million in the same period of 2017. For the nine-month period ended September 30, 2018, the amortization expense on acquisition-related intangible amortization was $43.6 million compared to $58.3 million in the same period of 2017. The decrease in amortization expense is due to the completion of amortization for significant intangible assets acquired in 2007 and contributed to the increase in gross margin during the nine-month period ended September 30, 2018. We expect that our acquisition-related intangible amortization will increase as a result of future acquisitions.

Research and Development

Research and development expenses increased by 10% to $42.0 million (11% of net sales) in the third quarter of 2018, compared to $38.3 million (11% of net sales) in the same period in 2017. For the nine-month period ended September 30, 2018, research and development expenses increased by 7% to $121.2 million (11% of net sales) compared to $113.1 million (11% of net sales) for the same period in 2017. The increase in research and development costs in 2018 reflects our ongoing investments in NGS and our life sciences portfolio, together with regulatory activity in support of new products. Research and development costs during the first nine months of 2018 also reflect incremental costs due to the acquisition of STAT-Dx in 2018. Lower expense in 2017 includes a $0.7 million reduction in costs as a result of forfeitures of share-based compensation. As we continue to discover, develop and acquire new products and technologies, we expect to incur additional expenses related to facilities, licenses and employees engaged in research and development. Overall, research and development costs are expected to increase as a result of seeking regulatory approvals, including U.S. FDA Pre-Market Approval (PMA), U.S. FDA 510(k) clearance and EU CE approval of certain assays or instruments. Further, business combinations, along with the acquisition of new technologies, may increase our research and development costs in the future. We have a strong commitment to innovation and expect to continue to make investments in our research and development efforts.

Sales and Marketing

Sales and marketing expenses increased by 1% to $96.5 million (26% of net sales) in the third quarter of 2018 from $95.7 million (26% of net sales) in the same period of 2017. For the nine-month period ended September 30, 2018, sales and marketing expenses increased by 4% to $294.4 million (27% of net sales) from $283.3 million (28% of net sales) for the same period in 2017. We experienced efficiencies due to a lower cost base following the realignment of marketing activities as part of restructuring projects which were offset by higher personnel costs as well as initiatives for new product launches. Sales and marketing expenses are primarily associated with personnel, commissions, advertising, trade shows, publications, freight and logistics expenses, and other promotional expenses. We anticipate that absolute sales and marketing costs will increase along with new product introductions and growth in sales of our products, but decrease as a percentage of sales.

General and Administrative, Restructuring, Integration and Other, net

General and administrative, restructuring, integration and other costs, net were $31.9 million (8% of net sales) in the third quarter of 2018 as compared to $32.9 million (9% of net sales) in the third quarter of 2017. During the nine-month period ended September 30, 2018, we recorded general and administrative, restructuring, integration and other costs, net of $112.7 million (10% of net sales) compared to $125.4 million (12% of net sales) for the same period of 2017. The decrease in the nine-month period ended September 30, 2018 compared to the same period of 2017 reflects lower restructuring costs in 2018 compared to $17.9 million in the first nine months of 2017 as discussed in Note 4 "Restructuring". Additionally, litigation related charges totaled $8.2 million in 2018 as compared to $13.4

million in the first nine months of 2017. The first nine months of 2018 include a $4.8 million revaluation gain of a minority interest investment in connection with the acquisition as discussed in Note 5 "Investments", and overall lower acquisition and integration costs which were partially offset higher compensation costs. As we further integrate acquired companies and pursue opportunities to gain efficiencies, we expect to continue to incur additional business integration costs in 2018. Over time, we believe the integration activities will reduce expenses as we improve efficiency in the combined operations.

Acquisition-Related Intangible Amortization

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

We recorded amortization expense on acquisition-related intangibles within operating expense of $9.4 million during the quarter ended September 30, 2018 compared to $10.0 million for same period in 2017. We recorded amortization expense on acquisition-related intangibles within operating expense of $29.6 million during the nine-month period ended September 30, 2018 compared to $29.4 million for the same period in 2017. We expect that our acquisition-related intangible amortization will increase as a result of future acquisitions.

Other Income (Expense), net

Total other expense was $4.8 million and $21.0 million in the three- and nine-month periods ended September 30, 2018, respectively, compared to $12.3 million and $29.5 million in the same periods in 2017. Total other expense, net is primarily the result of interest expense, partially offset by interest income and other income (expense), including impacts of foreign currency transactions.

Interest expense increased to $16.3 million during the quarter ended September 30, 2018 compared to $12.0 million in the same period of 2017. During the nine-month periods ended September 30, 2018 and 2017, we recorded interest expense of $47.1 million and $32.7 million, respectively. Interest costs primarily relate to debt, discussed in Note 9 "Debt" in the accompanying notes to the condensed consolidated financial statements and the increase in interest expense reflects the issuance of cash convertible notes in the second half of 2017.

For the three-month periods ended September 30, 2018 and 2017, interest income was $5.3 million and $2.7 million, respectively. For the nine-month period ended September 30, 2018, interest income increased to $15.1 million from $6.3 million in the same period in 2017. Interest income primarily includes interest earned on cash and cash equivalents, short term investments, and income related to certain interest rate derivatives as discussed in Note 7 "Derivatives and Hedging" in the accompanying condensed consolidated financial statements.

Other income, net was $6.1 million and $11.0 million in the three- and nine-month periods ended September 30, 2018, respectively, compared to other expense, net of $2.9 million and $3.1 million in the same periods in 2017. Other income in 2018 primarily reflects the unrealized gains, net on investments as discussed further in Note 5 "Investments", which totaled $1.2 million and $14.8 million for the three and nine months ended September 30, 2018, respectively. In the nine months ended September 30, 2018, we recorded a divestiture gain of $8.0 million as discussed in Note 3 "Acquisitions and Divestitures". Other income was partially offset by impairments, including investment impairments as discussed further in Note 5, which totaled $6.4 million and $17.0 million in the three and nine months ended September 30, 2018. For the three- and nine-month periods ended September 30, 2018, we recorded net losses on foreign currency transactions of $3.6 million and $10.2 million, respectively, compared to $1.0 million, and $3.8 million in the same periods in 2017 due to foreign currency rate fluctuations.

Provision for Income Taxes

Our effective tax rates differ from The Netherlands statutory tax rate of 25% due in part to our operating subsidiaries being exposed to effective tax rates ranging from zero to more than 34%. Fluctuations in the distribution of pre-tax (loss) income among our operating subsidiaries can lead to fluctuations of the effective tax rate in the consolidated financial statements. In the third quarters of 2018 and 2017, our effective tax rates were 16.5% and 6.1%, respectively. In the nine-month periods ended September 30, 2018 and 2017, the effective tax rates were 17.7% and 0.5% respectively. Additionally, in 2018 and 2017, tax expense on foreign operations was favorably impacted by lower income tax rates and partial tax exemptions on foreign income primarily derived from operations in Germany, Singapore, Luxembourg, Ireland and Switzerland. These foreign tax benefits are due to a combination of favorable tax laws, rules, rulings, and exemptions in these jurisdictions. In particular, we have pre-tax income in Germany which is statutorily exempt from trade tax on intercompany foreign royalty income. Further, we have intercompany financing arrangements through Luxembourg and Ireland in which the intercompany income is partially exempt.

In future periods, our effective tax rate may fluctuate from similar or other factors as discussed in “Changes in tax laws or their application and the termination or reduction of certain government incentives, could adversely impact our overall effective tax rate, results of operations or financial flexibility” in Item 3 Risk Factors of the Annual Report on Form 20-F for the year ended
December 31, 2017.

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Liquidity and Capital Resources

To date, we have funded our business primarily through internally generated funds, debt and private and public sales of equity. Our primary use of cash has been to support continuing operations and our investing activities, including capital expenditure requirements and acquisitions. As of September 30, 2018 and December 31, 2017, we had cash and cash equivalents of $599.8 million and $657.7 million, respectively. Cash and cash equivalents are primarily held in U.S. dollars and euros, other than those cash balances maintained in the local currency of subsidiaries to meet local working capital needs. At September 30, 2018, cash and cash equivalents had decreased by $57.9 million from December 31, 2017, primarily due to cash provided by operating activities of $249.0 million, offset by cash used in investing activities of $232.6 million and cash used in financing activities of $67.5 million. As of September 30, 2018 and December 31, 2017, we had working capital of $501.0 million and $1.3 billion, respectively.

Operating Activities. For the nine months ended September 30, 2018 and 2017, we generated net cash from operating activities of $249.0 million and $210.7 million, respectively. While net income was $129.4 million for the nine months ended September 30, 2018, non-cash components in income included $156.5 million of depreciation and amortization, $19.6 million of unrealized gains on investments, and $17.0 million of non-cash impairments. Operating cash flows include a net decrease in working capital of $63.3 million excluding changes in fair values of derivative instruments. The current period change in working capital is primarily due to increased inventories, accounts receivable, prepaid expenses and other current assets, and decrease to accounts payable and accrued and other liabilities. Because we rely heavily on cash generated from operating activities to fund our business, a decrease in demand for our products, longer collection cycles or significant technological advances of competitors would have a negative impact on our liquidity.

Investing Activities. Approximately $232.6 million of cash was used in investing activities during the nine months ended September 30, 2018 compared to $371.9 million for the same period in 2017. Cash used in investing activities during the nine months ended September 30, 2018 consisted principally of $172.8 million cash paid for acquisitions, net of cash acquired, $456.2 million paid for short-term investments, $72.3 million paid for purchases of property, plant and equipment, $4.0 million cash paid for collateral assets, as well as $30.7 million paid for intangible assets. These activities were partially offset by $495.6 million from redemptions of short-term investments.

Financing Activities. Financing activities used $67.5 million of cash for the nine months ended September 30, 2018, primarily for purchase of treasury shares totaling $66.6 million. This compares to cash provided by financing activities of $386.0 million for the nine months ended September 30, 2017. Cash provided by financing activities during the nine months ended September 30, 2017 consisted primarily of $329.9 million net cash proceeds from the June 2017 German private placement partially offset by the capital repayment of $243.9 million made to shareholders in connection with the January 2017 synthetic share buyback discussed in Note 12 "Equity."

Other Factors Affecting Liquidity and Capital Resources

In September 2017, we issued $400.0 million aggregate principal amount of Cash Convertible Senior Notes which are due in 2023 (2023 Notes), which are discussed fully in Note 9 "Debt." Interest on the 2023 Notes is payable semiannually in arrears at a rate of 0.500% per annum. The 2023 Notes will mature on September 13, 2023 unless repurchased or converted in accordance with their terms prior to such date.

Additionally in 2017, we completed a German private placement of $329.9 million, net of issuance costs, consisting of several tranches denominated in either U.S. dollars or Euro at either floating or fixed rates and due at various dates through June 2027 as described in Note 9.

In October 2016, we extended the maturity of our €400.0 million syndicated revolving credit facility, which now has a contractual life until December 2021 of which no amounts were utilized at September 30, 2018. The facility can be utilized in euro, British pounds sterling, Swiss franc or U.S. dollar and bears interest of 0.4% to 1.20% above three months EURIBOR, or LIBOR in relation to any loan not in euro, and is offered with interest periods of one, two, three or six months. We have additional credit lines totaling €26.6 million with no expiration date, none of which were utilized as of September 30, 2018.

In March 2014, we issued $730.0 million aggregate principal amount of Cash Convertible Senior Notes of which $430.0 million is due in 2019 (2019 Notes) and $300.0 million is due in 2021 (2021 Notes). We refer to the 2019 Notes, 2021 Notes and the 2023 Notes, collectively as the “Cash Convertible Notes” which are discussed fully in Note

9. Interest on the 2019 and 2021 Notes is payable semiannually in arrears on March 19 and September 19 of each year, at rates of 0.375% and 0.875% per annum for the 2019 Notes and 2021 Notes, respectively. The 2019 Notes will mature on March 19, 2019 and the 2021 Notes will mature on March 19, 2021, unless repurchased or converted in accordance with their terms prior to such date.
In October 2012, we completed a U.S. private placement through the issuance of new senior unsecured notes in a total amount of $400 million with a weighted average interest rate of 3.66% (settled on October 16, 2012). The notes were issued in three series: (1) $73 million 7-year term due in 2019 (3.19%); (2) $300 million 10-year term due in 2022 (3.75%); and (3) $27 million 12-year term due in 2024 (3.90%).

We also have capital lease obligations, including interest, in the aggregate amount of $0.4 million as of September 30, 2018.
Pursuant to the purchase agreements for certain acquisitions and other contractual arrangements, we could be required to make additional contingent cash payments totaling up to $69.3 million based on the achievement of certain revenue and operating results milestones as follows: $5.0 million in the remainder of 2018, $23.7 million in 2019, $16.8 million in 2020, $5.9 million in 2021,$5.9 million in 2024 and $5.0 million and $7.0 million payable in any 12-month period from now through 2028 and 2029, respectively, based on the achievement of certain revenue or other milestones, regulatory approvals or clearances. Of the $69.3 million total contingent obligation, we have assessed the fair value at September 30, 2018 to be $51.4 million, of which $26.0 million is included in accrued and other current liabilities and $25.4 million is included in other long-term liabilities in the accompanying condensed consolidated balance sheet.
In January 2017, we completed a synthetic share repurchase that combined a direct capital repayment with a consolidation of shares. The transaction was announced in August 2016 and involved an approach used by various large, multinational Dutch companies to provide returns to shareholders in a faster and more efficient manner than traditional open-market purchases. $243.9 million was repaid to shareholders through the transaction and the outstanding number of common shares was reduced by 8.9 million, or 3.7%. As discussed further in Note 12 "Equity", the capital repayment program was completed in January 2017.
On April 27, 2016, we announced the launch of our fourth $100 million share repurchase program. As discussed in Note 12, during the third quarter of 2017, we completed the fourth share repurchase program and repurchased 1.9 million QIAGEN shares for $61.0 million (including transaction costs).
On January 31, 2018, we announced our fifth share repurchase program of up to $200 million of our common shares. During 2018, we repurchased 2.0 million QIAGEN shares for $75.3 million (including transaction costs) of which $66.6 million was paid as of September 30, 2018.
We expect that cash from financing activities will continue to be impacted by issuances of our common shares in connection with our equity compensation plans and that the market performance of our stock will impact the timing and volume of the issuances. Additionally, we may make future acquisitions or investments requiring cash payments, the issuance of additional equity or debt financing.
We believe that funds from operations, existing cash and cash equivalents, together with the proceeds from our public and private sales of equity, and availability of financing facilities, will be sufficient to fund our planned operations and expansion during the coming year. However, any global economic downturn may have a greater impact on our business than currently expected, and we may experience a decrease in the sales of our products, which could impact our ability to generate cash. If our future cash flows from operations and other capital resources are not adequate to fund our liquidity needs, we may be required to obtain additional debt or equity financing or to reduce or delay our capital expenditures, acquisitions or research and development projects. If we cannot obtain financing on a timely basis or at satisfactory terms, or implement timely reductions in our expenditures, our business could be adversely affected.
Quantitative and Qualitative Disclosures about Market Risk
Our market risk relates primarily to interest rate exposures on cash, marketable securities, and borrowings and foreign currency exposures on intercompany and third-party transactions. The overall objective of our risk management strategy is to reduce the potential negative earnings effects from changes in interest and foreign currency exchange rates. Exposures are managed through operational methods and financial instruments. We do not use financial instruments for trading or speculative purposes. Our exposure to market risk from changes in interest rates and currency exchange rates has not changed materially from our exposure as discussed in Item 11 of our Annual Report on Form 20-F for the year ended December 31, 2017.
Foreign Currency
QIAGEN N.V.’s functional currency is the U.S. dollar and our subsidiaries’ functional currencies are generally the local currencies of the respective countries in which they are located. All amounts in the financial statements of entities whose functional currency is not the U.S. dollar are translated into U.S. dollar equivalents at exchange rates as

follows: (1) assets and liabilities at period-end rates, (2) income statement accounts at average exchange rates for the period, and (3) components of shareholders' equity at historical rates. Translation gains or losses are recorded in shareholders' equity, and transaction gains and losses are reflected in net income. Foreign currency transactions in the three- and nine-month periods ended September 30, 2018 resulted in net losses of $3.6 million and $10.2 million, respectively, and $1.0 million and $3.8 million in the same periods ended 2017, respectively, and are included in other income (expense), net.

Derivatives and Hedging

In the ordinary course of business, we use derivative instruments, including swaps, forwards and/or options, to manage potential losses from foreign currency exposures and variable rate debt. The principal objective of such derivative instruments is to minimize the risks and/or costs associated with global financial and operating activities. We do not utilize derivative or other financial instruments for

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trading or speculative purposes. We recognize all derivatives as either assets or liabilities on the balance sheet, measure those instruments at fair value and recognize the change in fair value in earnings in the period of change, unless the derivative qualifies as an effective hedge that offsets certain exposures. In determining fair value, we consider both the counterparty credit risk and our own creditworthiness. To determine our own credit risk, we estimated our own credit rating by benchmarking the price of our outstanding debt to publicly-available comparable data from rated companies. Using the estimated rating, we quantify our credit risk by reference to publicly-traded debt with a corresponding rating.

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

Interest Rate Derivatives. We are using interest rate derivatives to align our portfolio of interest bearing assets and liabilities with our risk management objectives. We have entered into interest rate swaps in which we agreed to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount.

We also make use of economic hedges. Further details of our derivative and hedging activities can be found in Note 7 "Derivatives and Hedging" to the accompanying condensed consolidated financial statements.

Recent Authoritative Pronouncements

For information on recent accounting pronouncements impacting our business, see Note 2 to the accompanying condensed consolidated financial statements.

Application of Critical Accounting Policies, Judgments and Estimates

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

Our critical accounting policies are discussed further in Item 5 of our Annual Report on Form 20-F for the year ended December 31, 2017. Actual results in these areas could differ from management's estimates. Except as discussed below in connection with the adoption of ASC 606, there have been no significant changes in our critical accounting policies during 2018.

Revenue Recognition. We recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Identifying performance obligations in a contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation requires management's judgments and estimates. Sales arrangements which require a measure of progress toward completion by measuring actual hours incurred to date as a proportion of the total budgeted hours of the project also involves management's judgments and estimates. While the majority of our sales agreements contain standard terms and conditions, we do enter into agreements that contain multiple products or services or non-standard terms and conditions. Sometimes it is difficult to determine whether there is more than one performance obligation under a sales agreement and if so, how and when revenue should be recognized is subject to certain estimates or assumptions. Should our judgments and estimates not be correct, revenue recognized for any reporting period could be adversely affected.

Off-Balance Sheet Arrangements

We did not use special purpose entities and did not have off-balance-sheet financing arrangements as of September 30, 2018 and December 31, 2017.

Contractual Obligations

There were no material changes at September 30, 2018 from the contractual obligations disclosed in Item 5 of our Annual Report on Form 20-F for the year ended December 31, 2017.

Legal Proceedings

For information on legal proceedings, see Note 15 "Commitments and Contingencies" to the accompanying condensed consolidated financial statements.

While no assurances can be given regarding the outcome of the proceedings described in Note 15, based on information currently available, we believe that the resolution of these matters is unlikely to have a material adverse effect on our financial position or results of future operations for QIAGEN N.V. as a whole. However, because of the nature and inherent uncertainties of litigation, should the outcomes be unfavorable, certain aspects of our business, financial condition, and results of operations and cash flows could be materially adversely affected.

Risk Factors

Material risks that may affect our results of operations and financial position appear in Part 1, Item 3 "Key Information" of the Annual Report on Form 20-F for the year ended December 31, 2017. There have been no material changes from the risk factors disclosed in Item 3 of our Form 20-F.

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