



ILMN Q123 Summary of Prepared Remarks

Revenue - Core Illumina

	Q123	Yr/Yr	Qtr/Qtr	Management Commentary
Sequencing Consumables	\$692M	-12%	+1%	- Decrease Yr/Yr primarily attributable to lower NovaSeq 6000 consumables pull-through due to - COVID-related disruptions in China, the transition of some of our high throughput customers to NovaSeq X, and customers managing constrained capital markets globally - Included a 500 basis point headwind from COVID surveillance
Microarrays Consumables	\$78M	+4%	-3%	
Total Consumables	\$770M	-10%	—	
Sequencing Instruments	\$154M	-27%	+5%	- Decrease Yr/Yr driven primarily by lower NovaSeq 6000 shipments compared to a record Q1 2022, and a decrease in mid-throughput shipments due primarily to fewer NextSeq 550 placements in China. Stronger than expected shipments of NovaSeq X helped offset this impact but we remain supply constrained in the first year of launch - We continued to see strong demand for NextSeq 1K/2K from new-to-Illumina customers - Included a 300 basis point headwind from COVID surveillance
Microarrays Instruments	\$6M	—	+20%	
Total Instruments	\$160M	-27%	+6%	
Total Products	\$930M	-14%	+1%	
Sequencing Service & Other	\$119M	+7%	-9%	Driven primarily by higher instrument service contract revenue on a growing installed base
Microarrays Service & Other	\$27M	-18%	+69%	
Total Service & Other	\$146M	+1%	-1%	
Total Revenue - Core Illumina	\$1,076M	-12%	+1%	10% decline Yr/Yr on a constant currency basis - COVID surveillance contributed approximately \$11 million in total revenue in Q1 2023 compared to \$60 million in Q1 2022, reflecting a \$49 million headwind

Revenue by Geographic Location - Core Illumina

Note: We implemented a new global commercial structure in Q1 2023 to improve operating efficiencies and better align with local markets. We integrated APJ with emerging markets across the Middle East, Africa, Turkey, and CIS. Beginning in Q1 2023 and going forward, we will report regional results for the following regions: Americas, Europe, Greater China and AMEA (or Asia-Pacific, Middle East, and Africa).

	Q123	Yr/Yr	Qtr/Qtr	Management Commentary
Americas	\$605M	-6%	+5%	- Exceeded our expectations due to stronger-than-anticipated NovaSeq X shipments - Yr/Yr revenue decrease due to the expected decline in research driven by the slowdown in COVID surveillance and delayed recruitment for some large research projects - Strong demand for NextSeq 1K/2K in the Americas, with instrument shipments up over 20% year-over-year
Europe	\$261M	-9%	-3%	4% decline Yr/Yr on a constant currency basis - Growth in clinical led by oncology testing was more than offset by the expected decline in COVID surveillance revenue as well as lower high throughput instrument shipments due to supply constraints on NovaSeq X in the first quarter
Greater China	\$91M	-28%	-3%	23% decline Yr/Yr on a constant currency basis - Decline was primarily driven by persistent COVID disruptions and liquidity and funding constraints. This resulted in lower sequencing consumables revenue and a decrease in mid-throughput instrument shipments compared to last year
AMEA	\$119M	-27%	-5%	23% decline Yr/Yr on a constant currency basis - Decline was primarily caused by the completion of a large research project in Japan, lower COVID surveillance revenue and a decrease in NovaSeq 6000 instrument shipments, only partially offset by NovaSeq X shipments as demand in the region outpaced supply - AMEA revenue was also impacted by sanctions affecting our ability to conduct business in Russia. We expect the impact of sanctions to persist through 2023 and have reflected approximately \$60 million in lower sequencing consumables revenue expectations for the region in our outlook for 2023

Core Illumina Updates

	Management Commentary
High-Throughput (HT): NovaSeq & HiSeq	• We exited the quarter with over 200 NovaSeq X orders received from more than 30 countries ◦ ~40% of orders from clinical customers, ~15% of orders from new-to-high throughput customers • In Q1, we shipped 67 NovaSeq X instruments, above initial expectations of 40-50 • Now expect to deliver more than 330 NovaSeq X instruments in 2023 – up from 300 • We also saw continued demand for NovaSeq 6000, and shipped 17 NovaSeq 6000s in Q1, primarily for fleet expansions of existing workflows ◦ More than 80% of NovaSeq 6000 shipments were to clinical customers, and approximately 25% of shipments to oncology testing
Mid-Throughput (MT): NextSeq	• NextSeq 1K/2K unit shipments increased 6% year-over-year • More than 20% of NextSeq 1K/2K units in Q1 were placed with new-to-Illumina customers
Low-Throughput (LT): MiSeq, MiniSeq & iSeq	• ~30% of Q1 shipments were to new-to-Illumina customers

GRAIL Updates

	Management Commentary
GRAIL	• Since launch, GRAIL has received more than 85,000 Galleri test orders, with about 20,000 delivered in Q1 alone • The 140,000-participant NHS-Galleri trial, which completed enrollment in July 2022 in just over ten months, is progressing well, with more than half of study participants having returned for their second annual blood draw ◦ The trial recently achieved its halfway point and is currently on track to meet retention targets • John Hancock, one of the largest life insurance companies in the US and a unit of Manulife, announced it would expand access to Galleri® to eligible life insurance customers • Providence, a health system serving the Western US, expanded its partnership with GRAIL to offer Galleri to eligible individuals across its 52 hospitals and 900 clinics across seven states • GRAIL delivered Q1 revenue of \$20 million, representing 100% growth year over year

Q123 Non-GAAP Financial Highlights - Core Illumina

You are encouraged to review the GAAP reconciliation of the following non-GAAP measures at the end of this summary.

	Q123	Yr/Yr	Qtr/Qtr	Management Commentary
Gross margin	65.2%	-500bps	-210bps	- Decrease Yr/Yr primarily driven by less fixed cost leverage on lower manufacturing volumes, and lower instrument margins due to the NovaSeq X launch, which is typical with a new platform introduction - We expect gross margins to improve sequentially through the year as we scale NovaSeq X manufacturing and continue to drive operating efficiencies
Operating expenses	\$514M	+\$9M	-\$14M	- Increase Yr/Yr primarily due to the full year impact of our headcount growth in 2022 - Non-GAAP operating expenses were lower than expected as a result of cost containment initiatives
Operating margin	17.4%	-1,140bps	-40bps	

Q123 Non-GAAP Financial Highlights - GRAIL

You are encouraged to review the GAAP reconciliation of the following non-GAAP measure at the end of this summary.

	Q123	Yr/Yr	Qtr/Qtr	Management Commentary
Operating expenses	\$173M	+\$34M	+\$7M	Increase Yr/Yr driven primarily by continued investments in clinical trials and to scale GRAIL's commercial organization

Q123 Non-GAAP Financial Highlights - Consolidated

You are encouraged to review the GAAP reconciliation of the following non-GAAP measures at the end of this summary.

	Q123	Yr/Yr	Qtr/Qtr	Management Commentary
Operating expenses	\$682M	+\$39M	-\$8M	
Other expense, net	\$3M	+\$3M	-\$3M	
Tax rate	27.3%	+950bps	-200bps	Although the non-GAAP tax expense impact of R&D capitalization requirements in dollar terms was the same in both periods, the impact to our effective tax rate in Q1 2023 was more significant due to our lower earnings
Net income	\$13M	-\$156M	-\$9M	Included dilution from GRAIL's non-GAAP operating loss of \$164 million for the quarter
EPS (diluted)	\$0.08	-93%	-43%	

	Q123	Yr/Yr	Qtr/Qtr	Management Commentary
Cash flow from operations	\$10M	-\$162M	-\$137M	
Capital expenditures	(\$52M)	-\$9M	-\$36M	
Free cash flow	(\$42M)	-\$153M	-\$101M	
Cash, cash equivalents & short-term investments	\$1.5B	+\$102M	-\$519M	During the first quarter, we used \$500 million to repay the outstanding principal of our 2023 term notes that matured in March

Consolidated Guidance

You are encouraged to review the GAAP reconciliation of the following non-GAAP measures at the end of this summary.

	FY23 Guidance	Management Commentary
FY23 Consolidated Revenue	+7% - 10%	- Range includes an anticipated headwind from COVID surveillance of approximately 200 basis points as well as a year-over-year headwind from foreign exchange rates - Revenue outlook for 2023 now reflects the following offsetting factors: - Lower revenue in AMEA due to the impact of sanctions affecting our ability to conduct business in Russia - An increase in our NovaSeq X shipments expectations to more than 330 instruments - Higher contributions from strategic partnerships related to drug discovery - We expect quarterly revenue to ramp sequentially throughout 2023, with linearity trends similar to 2017 when we launched the NovaSeq 6000, where we delivered approximately 54% of our total revenue in the second half of the year, including approximately 26% in Q3 and the remainder in Q4. Our revenue ramp for 2023 reflects the following assumptions: (1) a quarterly ramp in NovaSeq X instrument shipments as manufacturing capacity improves each quarter (2) sequencing consumables revenue increases as NovaSeq X customers kick off large projects in the second half of 2023 (3) certain macroeconomic headwinds lessen in the second half of 2023, including a recovery from COVID disruptions in China
FY23 Consolidated Non-GAAP Operating Margin	~8%	
FY23 Consolidated Non-GAAP Diluted EPS	\$1.25 - \$1.50	
FY23 Consolidated Non-GAAP Tax Rate - Current (a)	~36%	
GAAP and Non-GAAP diluted shares outstanding	160 million	

(a) Amount assumes that the existing R&D capitalization requirements are not repealed in 2023 and, as a result, reflects an impact of approximately \$75 million.

	Q223 Guidance	Management Commentary
Q223 Consolidated Revenue	\$1,150M - \$1,170M	- Sequential increase of approximately 670 basis points from Q1 2023 or approximately \$70 million, primarily driven by: - A sequential increase in NovaSeq X instrument shipments as manufacturing capacity continues to ramp - A sequential increase in GRAIL revenue driven by growing Galleri adoption - Continued sequential growth in sequencing consumables and service revenue as new instruments continue to come online - Partially offset by a sequential decrease in microarrays revenue due to historical seasonality
Q223 Consolidated Non-GAAP Diluted EPS	\$0.01	At the midpoint of our revenue guidance range
Q223 Consolidated Non-GAAP Operating Margin	~1%	

Segment Guidance

You are encouraged to review the GAAP reconciliation of the following non-GAAP measures at the end of this summary.

	FY23 Guidance	Management Commentary
FY23 Core Illumina Revenue	+6% - 9%	- Range includes an anticipated headwind from COVID surveillance of approximately 200 basis points as well as a year-over-year headwind from foreign exchange rates - We now expect Core Illumina sequencing instrument growth of approximately 13% year-over-year reflecting our higher NovaSeq X shipments expectations - We now expect Core Illumina sequencing consumables growth of approximately 5.5% year-over-year driven predominately by our lower revenue outlook for AMEA due to the impact of sanctions affecting our ability to conduct business in Russia - We continue to expect Core Illumina sequencing revenue to grow approximately 8% year-over-year. This now includes a higher contribution from sequencing service and other revenue primarily due to higher contributions from strategic pharma partnerships
FY23 GRAIL Revenue	\$90M - \$110M	GRAIL revenue is still expected to be in the range of \$90 million to \$110 million for 2023
FY23 GRAIL non-GAAP operating loss	(\$670M)	
FY23 Core Illumina non-GAAP Operating Margin	~22%	

	Q223 Guidance	Management Commentary
Q223 Core Illumina non-GAAP Operating Margin	~17%	Margin reflects a sequential increase in Core Illumina operating expenses driven by an increase in compensation-related expense due to our normal annual equity grant and merit adjustment in March. We continue to expect operating margins to improve in the second half of 2023 as revenue ramps and we scale our production of NovaSeq X and leverage the fixed cost of the manufacturing base

The company only provides non-GAAP measures for operating margin targets because of the difficulty of projecting with reasonable certainty the financial impact of specific GAAP operating adjustments. Please see our "Statement regarding use of non-GAAP financial measures" for more information.

	FY24-FY25 Targets	Management Commentary
Core Illumina non-GAAP Operating Margin	FY24: 25% FY25: 27%	• Illumina will reduce its annualized run rate expenses by more than \$100 million by the end of 2023 ○ These cost savings will accelerate progress toward higher margins as well as free up capital to increase investment in high-growth areas • Illumina will achieve these savings through a combination of several actions ○ We will leverage the recent modularization of R&D innovation created as part of the NovaSeq X development, including XLEAP-SBS and new flow cell technology, to lower the cost and accelerate time to market for future platforms ○ We will achieve additional savings through leveraging our global footprint enabling activities at more cost-effective hubs ○ We are also streamlining our organization and processes, including rationalizing the company's global real estate portfolio and third-party vendor spend, as well as accelerating IT optimization efforts • The company will continue to prioritize innovations that generate highly differentiated products that are valued by Illumina's customers

Statement regarding use of non-GAAP financial measures

The company reports non-GAAP results for diluted earnings per share, net income, gross margin, operating expenses, including research and development expense, selling general and administrative expense, and from time to time, as applicable, legal contingencies and settlement, and goodwill impairment, operating income (loss), operating margin, gross profit (loss), other income (expense), tax provision, constant currency revenue growth, and free cash flow (on a consolidated and, as applicable, segment basis for our Core Illumina and GRAIL segments) in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. The company's financial measures under GAAP include substantial charges such as amortization of acquired intangible assets among others that are listed in the itemized reconciliations between GAAP and non-GAAP financial measures included in this press release, as well as the effects of currency translation. Management has excluded the effects of these items in non-GAAP measures to assist investors in analyzing and assessing past and future operating performance, including in the non-GAAP measures related to our Core Illumina and GRAIL segments. Additionally, non-GAAP net income and diluted earnings per share are key components of the financial metrics utilized by the company's board of directors to measure, in part, management's performance and determine significant elements of management's compensation.

The company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. Reconciliations between GAAP and non-GAAP results are presented in the tables of this release.

The company only provides non-GAAP measures for operating margin targets because of the difficulty of projecting with reasonable certainty the financial impact of specific GAAP operating adjustments, such as acquisition-related expenses, gains and losses from our strategic investments, fair value adjustments related to contingent consideration and contingent value rights, potential future asset impairments, restructuring activities, and the ultimate outcome of pending litigation without unreasonable effort. These items are uncertain, inherently difficult to predict, depend on various factors, and could have a material impact on GAAP measures for the operating margin target periods. For the same reasons, the company is unable to address the significance of the unavailable information, which could be material to future results.

Use of forward-looking statements

This release may contain forward-looking statements that involve risks and uncertainties. Among the important factors to which our business is subject that could cause actual results to differ materially from those in any forward-looking statements are: (i) changes in the rate of growth in the markets we serve; (ii) the volume, timing and mix of customer orders among our products and services; (iii) our ability to adjust our operating expenses to align with our revenue expectations; (iv) our ability to manufacture robust instrumentation and consumables; (v) the success of products and services competitive with our own; (vi) challenges inherent in developing, manufacturing, and launching new products and services, including expanding or modifying manufacturing operations and reliance on third-party suppliers for critical components; (vii) the impact of recently launched or pre-announced products and services on existing products and services; (viii) our ability to modify our business strategies to accomplish our desired operational goals; (ix) our ability to realize the anticipated benefits from prior or future actions to streamline and improve our R&D processes, reduce our operating expenses and maximize our revenue growth; (x) our ability to further develop and commercialize our instruments, consumables, and products, including Galleri, the cancer screening test developed by GRAIL, to deploy new products, services, and applications, and to expand the markets for our technology platforms; (xi) the risks and costs associated with our ongoing inability to integrate GRAIL due to the interim measures imposed on us by the European Commission as a result of their prohibition of our acquisition of GRAIL and an order issued by the Federal Trade Commission requiring that we divest GRAIL; (xii) the risks and costs associated with the integration of GRAIL's business if we are ultimately able to integrate GRAIL; (xiii) the risk that disruptions from the consummation of our acquisition of GRAIL and associated legal or regulatory proceedings, including related appeals, or obligations will harm our business, including current plans and operations; (xiv) the risk of incurring fines associated with the consummation of our acquisition of GRAIL and the possibility that we may be required to divest all or a portion of the assets or equity interests of GRAIL on terms that could be materially worse than the terms on which we acquired GRAIL; (xv) our ability to obtain approval by third-party payors to reimburse patients for our products; (xvi) our ability to obtain regulatory

clearance for our products from government agencies; (xvii) our ability to successfully partner with other companies and organizations to develop new products, expand markets, and grow our business; (xviii) uncertainty, or adverse economic and business conditions, including as a result of slowing or uncertain economic growth, COVID-19 pandemic mitigation measures, or armed conflict; (xix) the application of generally accepted accounting principles, which are highly complex and involve many subjective assumptions, estimates, and judgments and (xx) legislative, regulatory and economic developments, together with other factors detailed in our filings with the Securities and Exchange Commission, including our most recent filings on Forms 10-K and 10-Q, or in information disclosed in public conference calls, the date and time of which are released beforehand. We undertake no obligation, and do not intend, to update these forward-looking statements, to review or confirm analysts' expectations, or to provide interim reports or updates on the progress of the current quarter.

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Illumina, Inc.
Condensed Consolidated Statements of Cash Flows
(In millions)
(unaudited)

	Three Months Ended	
	April 2, 2023	April 3, 2022
Net cash provided by operating activities	\$ 10	\$ 172
Net cash used in investing activities	(56)	(74)
Net cash (used in) provided by financing activities	(473)	21
Effect of exchange rate changes on cash and cash equivalents	2	—
Net (decrease) increase in cash and cash equivalents	(517)	119
Cash and cash equivalents, beginning of period	2,011	1,232
Cash and cash equivalents, end of period	\$ 1,494	\$ 1,351
Calculation of free cash flow:		
Net cash provided by operating activities	\$ 10	\$ 172
Purchases of property and equipment	(52)	(61)
Free cash flow (a)	\$ (42)	\$ 111

(a) Free cash flow, which is a non-GAAP financial measure, is calculated as net cash provided by operating activities reduced by purchases of property and equipment. Free cash flow is useful to management as it is one of the metrics used to evaluate our performance and to compare us with other companies in our industry. However, our calculation of free cash flow may not be comparable to similar measures used by other companies.

Illumina, Inc.
Results of Operations - Revenue by Segment
(Dollars in millions)
(unaudited)

	Three Months Ended		
	April 2, 2023	April 3, 2022	% Change
Consolidated revenue	\$ 1,087	\$ 1,223	(11)%
Less: Hedge gains	2	5	
Consolidated revenue, excluding hedge effect	1,085	1,218	
Less: Exchange rate effect	(26)	—	
Consolidated constant currency revenue (a)	<u><u>\$ 1,111</u></u>	<u><u>\$ 1,218</u></u>	(9)%
Core Illumina revenue	\$ 1,076	\$ 1,221	(12)%
Less: Hedge gains	2	5	
Core Illumina revenue, excluding hedge effect	1,074	1,216	
Less: Exchange rate effect	(26)	—	
Core Illumina constant currency revenue (a)	<u><u>\$ 1,100</u></u>	<u><u>\$ 1,216</u></u>	(10)%

(a) Constant currency revenue growth, which is a non-GAAP financial measure, is calculated using comparative prior period foreign exchange rates to translate current period revenue, net of the effects of hedges.

Illumina, Inc.
Results of Operations - Revenue by Region
(Dollars in millions)
(unaudited)

	Three Months Ended		
	April 2, 2023	April 3, 2022	% Change
AMR revenue - Core Illumina	\$ 605	\$ 646	(6)%
Less: Hedge gains	—	—	
AMR revenue - Core Illumina, excluding hedge effect	605	646	
Less: Exchange rate effect	—	—	
AMR constant currency revenue - Core Illumina (a)	<u>\$ 605</u>	<u>\$ 646</u>	(6)%
AMEA revenue - Core Illumina (b)	\$ 119	\$ 162	(27)%
Less: Hedge gains	1	1	
AMEA revenue - Core Illumina, excluding hedge effect (b)	118	161	
Less: Exchange rate effect	(6)	—	
AMEA constant currency revenue - Core Illumina (a)(b)	<u>\$ 124</u>	<u>\$ 161</u>	(23)%
China revenue - Core Illumina (c)	\$ 91	\$ 127	(28)%
Less: Hedge gains	—	—	
China revenue - Core Illumina, excluding hedge effect (c)	91	127	
Less: Exchange rate effect	(7)	—	
China constant currency revenue - Core Illumina (a)(c)	<u>\$ 98</u>	<u>\$ 127</u>	(23)%
Europe revenue - Core Illumina	\$ 261	\$ 286	(9)%
Less: Hedge gains	—	3	
Europe revenue - Core Illumina, excluding hedge effect	261	283	
Less: Exchange rate effect	(12)	—	
Europe constant currency revenue - Core Illumina (a)	<u>\$ 273</u>	<u>\$ 283</u>	(4)%

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided.

Note: We implemented a new global commercial structure in Q1 2023 to improve operating efficiencies and better align with local markets. We integrated APJ with emerging markets across the Middle East, Africa, Turkey, and CIS. Beginning in Q1 2023 and going forward, we will report regional results for the following regions: Americas, Europe, Greater China and AMEA (or Asia-Pacific, Middle East, and Africa).

(a) Constant currency revenue growth, which is a non-GAAP financial measure, is calculated using comparative prior period foreign exchange rates to translate current period revenue, net of the effects of hedges.

(b) Region includes revenue from Russia and Turkey.

(c) Region includes revenue from China, Taiwan, and Hong Kong.

Illumina, Inc.
Results of Operations - Non-GAAP
(In millions, except per share amounts)
(unaudited)

TABLE 1: CONSOLIDATED RECONCILIATION BETWEEN GAAP AND NON-GAAP DILUTED EARNINGS PER SHARE:

	Three Months Ended	
	April 2, 2023	April 3, 2022
GAAP earnings per share - diluted	\$ 0.02	\$ 0.55
Cost of revenue (b)	0.30	0.25
R&D expense (b)	0.01	—
SG&A expense (b)	0.22	(0.08)
Other expense, net (b)	0.08	0.24
GILTI and U.S. foreign tax credits (c)	(0.28)	0.15
Incremental non-GAAP tax expense (d)	(0.32)	(0.07)
Income tax provision (e)	0.05	0.03
Non-GAAP earnings per share - diluted (a)	\$ 0.08	\$ 1.07

TABLE 2: CONSOLIDATED RECONCILIATION BETWEEN GAAP AND NON-GAAP NET INCOME:

	Three Months Ended	
	April 2, 2023	April 3, 2022
GAAP net income	\$ 3	\$ 86
Cost of revenue (b)	48	40
R&D expense (b)	2	—
SG&A expense (b)	35	(12)
Other expense, net (b)	11	38
GILTI and U.S. foreign tax credits (c)	(44)	24
Incremental non-GAAP tax expense (d)	(50)	(11)
Income tax provision (e)	8	4
Non-GAAP net income (a)	\$ 13	\$ 169

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided.

(a) Non-GAAP net income and diluted earnings per share exclude the effects of the pro forma adjustments as detailed above. Non-GAAP net income and diluted earnings per share are key components of the financial metrics utilized by the company's board of directors to measure, in part, management's performance and determine significant elements of management's compensation. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing our past and future operating performance.

(b) Refer to the Itemized Reconciliations between GAAP and Non-GAAP Results of Operations for the components of these amounts.

(c) Amounts represent the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.

(d) Incremental non-GAAP tax expense reflects the tax impact of the non-GAAP adjustments listed.

(e) Amounts represent the difference between book and tax accounting related to stock-based compensation cost.

Illumina, Inc.
Results of Operations - Non-GAAP (continued)
(Dollars in millions)
(unaudited)

TABLE 3: ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP RESULTS OF OPERATIONS AS A PERCENT OF REVENUE:

	Three Months Ended					
	April 2, 2023					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	\$ 687	63.8 %	\$ (25)	\$ (7)	\$ 655	60.3 %
Amortization of acquired intangible assets	14	1.4 %	34	—	48	4.4 %
Non-GAAP gross profit (a)	\$ 701	65.2 %	\$ 9	\$ (7)	\$ 703	64.7 %
GAAP R&D expense	\$ 259	24.1 %	\$ 86	\$ (4)	\$ 341	31.4 %
Acquisition-related expenses (d)	(1)	(0.1)%	—	—	(1)	(0.1)%
Restructuring (g)	(1)	(0.1)%	—	—	(1)	(0.1)%
Non-GAAP R&D expense	\$ 257	23.9 %	\$ 86	\$ (4)	\$ 339	31.2 %
GAAP SG&A expense	\$ 286	26.6 %	\$ 93	\$ (1)	\$ 378	34.8 %
Amortization of acquired intangible assets	—	—	(1)	—	(1)	(0.1)%
Acquisition-related expenses (d)	(20)	(1.8)%	(5)	—	(25)	(2.3)%
Restructuring (g)	(1)	(0.1)%	—	—	(1)	(0.1)%
Legal contingency and settlement (h)	(2)	(0.2)%	—	—	(2)	(0.2)%
Proxy contest	(6)	(0.6)%	—	—	(6)	(0.6)%
Non-GAAP SG&A expense	\$ 257	23.9 %	\$ 87	\$ (1)	\$ 343	31.5 %
GAAP operating profit (loss)	\$ 142	13.2 %	\$ (204)	\$ (2)	\$ (64)	(5.7)%
Cost of revenue	14	1.3 %	34	—	48	4.4 %
R&D costs	2	0.2 %	—	—	2	0.2 %
SG&A costs	29	2.7 %	6	—	35	3.0 %
Non-GAAP operating profit (loss) (a)	\$ 187	17.4 %	\$ (164)	\$ (2)	\$ 21	1.9 %
GAAP other (expense) income, net	\$ (17)	(1.6)%	\$ 2	\$ —	\$ (14)	(1.3)%
Strategic investment related loss, net (e)	15	1.4 %	—	—	14	1.3 %
Gain on Helix contingent value right (f)	(3)	(0.3)%	—	—	(3)	(0.3)%
Non-GAAP other (expense) income, net (a)	\$ (5)	(0.5)%	\$ 2	\$ —	\$ (3)	(0.3)%

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided. Percentages of revenue are calculated based on the revenue of the respective segment.

Illumina, Inc.
Results of Operations - Non-GAAP (continued)
(Dollars in millions)
(unaudited)

TABLE 3 (CONTINUED): ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP RESULTS OF OPERATIONS AS A PERCENT OF REVENUE:

	Three Months Ended					
	April 3, 2022					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	\$ 851	69.7 %	\$ (29)	\$ (7)	\$ 815	66.6 %
Amortization of acquired intangible assets	6	0.5 %	34	—	40	3.3 %
Non-GAAP gross profit (a)	<u>\$ 857</u>	<u>70.2 %</u>	<u>\$ 5</u>	<u>\$ (7)</u>	<u>\$ 855</u>	<u>69.9 %</u>
GAAP and non-GAAP R&D expense	\$ 238	19.5 %	\$ 85	\$ —	\$ 323	26.4 %
GAAP SG&A expense	\$ 251	20.6 %	\$ 58	\$ (1)	\$ 308	25.2 %
Acquisition-related expenses (d)	(33)	(2.7)%	(3)	—	(36)	(2.9)%
Contingent consideration liabilities (c)	49	4.0 %	—	—	49	4.0 %
Amortization of acquired intangible assets	—	—	(1)	—	(1)	(0.1)%
Non-GAAP SG&A expense	<u>\$ 267</u>	<u>21.9 %</u>	<u>\$ 54</u>	<u>\$ (1)</u>	<u>\$ 320</u>	<u>26.2 %</u>
GAAP operating profit (loss)	\$ 362	29.6 %	\$ (172)	\$ (6)	\$ 184	15.0 %
Cost of revenue	6	0.5 %	34	—	40	3.3 %
SG&A costs	(16)	(1.3)%	4	—	(12)	(1.0)%
Non-GAAP operating profit (loss) (a)	<u>\$ 352</u>	<u>28.8 %</u>	<u>\$ (134)</u>	<u>\$ (6)</u>	<u>\$ 212</u>	<u>17.3 %</u>
GAAP other expense, net	\$ (44)	(3.6)%	\$ —	\$ —	\$ (44)	(3.6)%
Strategic investment related loss, net (e)	43	3.5 %	—	—	43	3.5 %
Gain on Helix contingent value right (f)	(5)	(0.4)%	—	—	(5)	(0.4)%
Non-GAAP other expense, net (a)	<u>\$ (6)</u>	<u>(0.5)%</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (6)</u>	<u>(0.5)%</u>

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided. Percentages of revenue are calculated based on the revenue of the respective segment.

(a) Non-GAAP gross profit, included within non-GAAP operating profit (loss), is a key measure of the effectiveness and efficiency of manufacturing processes, product mix and the average selling prices of our products and services. Non-GAAP operating profit (loss) and non-GAAP other (expense) income, net exclude the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing past and future operating performance, including in the non-GAAP measures related to our Core Illumina and GRAIL segments.

(b) Reconciling amounts are recorded in cost of revenue.

(c) Amounts consist primarily of fair value adjustments for our contingent consideration liability related to the GRAIL acquisition.

(d) Amounts consist primarily of legal expenses related to the acquisition of GRAIL.

(e) Amounts consist primarily of mark-to-market adjustments and impairments from our strategic investments.

(f) Amounts consist of fair value adjustments related to our Helix contingent value right.

(g) Amounts consist primarily of employee severance costs related to restructuring activities.

(h) Amount consists of a loss related to a patent litigation settlement.

Illumina, Inc.
Results of Operations - Non-GAAP (continued)
(Dollars in millions)
(unaudited)

TABLE 4: CONSOLIDATED ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP TAX (BENEFIT) PROVISION:

	Three Months Ended	
	April 2, 2023	
GAAP tax benefit	\$ (81)	103.9 %
Incremental non-GAAP tax expense (b)	50	
Income tax provision (c)	(8)	
GILTI and U.S. foreign tax credits (d)	44	
Non-GAAP tax provision (a)	\$ 5	27.3 %

	Three Months Ended	
	April 3, 2022	
GAAP tax provision	\$ 54	38.3 %
Incremental non-GAAP tax expense (b)	11	
Income tax provision (c)	(4)	
GILTI and U.S. foreign tax credits (d)	(24)	
Non-GAAP tax provision (a)	\$ 37	17.8 %

(a) Non-GAAP tax provision excludes the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing past and future operating performance.

(b) Incremental non-GAAP tax expense reflects the tax impact of the non-GAAP adjustments listed in Table 2.

(c) Amounts represent the difference between book and tax accounting related to stock-based compensation cost.

(d) Amounts represent the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.

Illumina, Inc.
Reconciliation of Consolidated Non-GAAP Financial Guidance
(unaudited)

Our future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect our financial results are stated above in this press release. More information on potential factors that could affect our financial results is included from time to time in the public reports filed with the Securities and Exchange Commission, including [Form 10-K](#) for the fiscal year ended January 1, 2023 filed with the SEC on February 17, 2023. We assume no obligation to update any forward-looking statements or information.

TABLE 5: RECONCILIATION BETWEEN GAAP AND NON-GAAP DILUTED (LOSS) EARNINGS PER SHARE GUIDANCE:

	Fiscal Year 2023
Consolidated GAAP diluted loss per share (b)	\$(0.28) - \$(0.03)
Amortization of acquired intangible assets	1.23
Legal contingency and settlement (c)	0.02
Acquisition-related expenses (d)	0.16
Strategic investment related loss, net (e)	0.09
Gain on Helix contingent value right (f)	(0.02)
Restructuring (g)	0.01
GILTI and U.S. foreign tax credits (h)	0.42
Incremental non-GAAP tax expense (i)	(0.63)
Income tax provision (j)	0.05
Proxy contest	0.20
Consolidated non-GAAP diluted earnings per share (a)(b)	<u><u>\$1.25 - \$1.50</u></u>
	Q2 2023
Consolidated GAAP diluted earnings per share (b)	\$0.04
Amortization of acquired intangible assets	0.31
Proxy contest	0.16
GILTI and U.S. foreign tax credits (h)	(0.24)
Incremental non-GAAP tax expense (i)	(0.26)
Consolidated non-GAAP diluted earnings per share (a)(b)	<u><u>\$0.01</u></u>

(a) Non-GAAP diluted earnings per share excludes the effects of the pro forma adjustments as detailed above. Non-GAAP diluted earnings per share is a key component of the financial metrics utilized by the company's board of directors to measure, in part, management's performance and determine significant elements of management's compensation. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing our past and future operating performance.

(b) Amounts assume that the existing R&D capitalization requirements are not repealed in 2023 and, as a result, reflect an impact of approximately \$75 million for fiscal year 2023.

(c) Amount consists of a loss related to a patent litigation settlement that occurred in Q1 2023.

(d) Amounts consist primarily of legal expenses incurred through Q1 2023 related to the acquisition of GRAIL.

(e) Amounts consist primarily of mark-to-market adjustments and impairments recognized in Q1 2023 on our strategic investments.

(f) Amount consists of a fair value adjustment recognized in Q1 2023 on our Helix contingent value right.

- (g)** Amounts consist primarily of employee severance costs related to restructuring activities incurred in Q1 2023.
- (h)** Amount represents the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.
- (i)** Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed.
- (j)** Amount represents the difference between book and tax accounting related to stock-based compensation cost recognized in Q1 2023.

Illumina, Inc.
Reconciliation of Non-GAAP Financial Guidance
(unaudited)

Our future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect our financial results are stated above in this press release. More information on potential factors that could affect our financial results is included from time to time in the public reports filed with the Securities and Exchange Commission, including [Form 10-K](#) for the fiscal year ended January 1, 2023 filed with the SEC on February 17, 2023. We assume no obligation to update any forward-looking statements or information.

TABLE 6: RECONCILIATION BETWEEN GAAP AND NON-GAAP OPERATING MARGIN GUIDANCE:

	Q2 2023
Consolidated GAAP operating margin	(5)%
Amortization of acquired intangible assets	4
Proxy contest	2
Consolidated non-GAAP operating margin (a)	1%
	FY 2023
Consolidated GAAP operating margin	3%
Amortization of acquired intangible assets	4
Proxy contest	1
Consolidated non-GAAP operating margin (a)	8%
	Q2 2023
Core Illumina GAAP operating margin	14%
Amortization of acquired intangible assets	1
Proxy contest	2
Core Illumina non-GAAP operating margin (a)	17%
	FY 2023
Core Illumina GAAP operating margin	20%
Amortization of acquired intangible assets	1
Proxy contest	1
Core Illumina non-GAAP operating margin (a)	22%

(a) Non-GAAP operating margin excludes the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing past and future operating performance, including in the non-GAAP measure related to our Core Illumina segment.

Illumina, Inc.
Reconciliation of Non-GAAP Financial Guidance (continued)
(unaudited)

TABLE 7: RECONCILIATION BETWEEN GRAIL GAAP AND NON-GAAP OPERATING LOSS GUIDANCE:

	FY 2023
GRAIL GAAP operating loss	\$ (813)
Amortization of acquired intangible assets	138
Acquisition-related expenses (b)	5
GRAIL non-GAAP operating loss (a)	<u><u>\$ (670)</u></u>

(a) Non-GAAP operating loss excludes the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing past and future operating performance related to the GRAIL segment.

(b) Amounts consist primarily of legal expenses incurred through Q1 2023 related to the acquisition of GRAIL.

Illumina, Inc.
Reconciliation of Non-GAAP Financial Guidance (continued)
(unaudited)

TABLE 8: RECONCILIATION BETWEEN GAAP AND NON-GAAP TAX RATE GUIDANCE:

	Fiscal Year 2023	
	Current (b)	If repealed (c)
Consolidated GAAP tax rate	118 %	57 %
Non-GAAP tax adjustments (a)	(82)	(43)
Consolidated non-GAAP tax rate	36 %	14 %

(a) Non-GAAP tax adjustments reflect the tax impact related to the non-GAAP adjustments listed above in our "Reconciliation Between GAAP and Non-GAAP Diluted Earnings Per Share Guidance." Management has excluded the effect of these items in this measure to assist investors in analyzing and assessing past and future operating performance.

(b) Amounts assume that the existing R&D capitalization requirements are not repealed in 2023 and, as a result, reflect an impact of approximately \$75 million.

(c) Amounts assume that the existing R&D capitalization requirements are repealed in 2023.