illumina®

ILMN Q222 Summary of Prepared Remarks

Revenue - Core Illumina

	Q222	Yr/Yr	Qtr/Qtr	Management Commentary
Sequencing Consumables	$744M	+6%	-5%	• Yr/Yr growth driven by almost 20% growth in oncology testing • Clinical shipments grew 11% Yr/Yr • COVID surveillance contributed approximately $25 million in sequencing consumables revenue
Microarrays Consumables	$74M	—%	-1%	
Total Consumables	$818M	+5%	-5%	
Sequencing Instruments	$190M	+1%	-10%	• Yr/Yr growth driven by 23% growth in NovaSeq shipments, offset by a 14% decrease in mid-throughput shipments year-over-year • The decrease in mid-throughput shipments was primarily due to headwinds from COVID surveillance and COVID lockdowns in China • NextSeq 1K/2K instruments continued to grow year-over-year, and growth would have been stronger had it not been for temporary supply constraints that delayed shipments into the third quarter • NextSeq 1K/2K orders were up 20% year-over-year with continuing strong adoption of our newest platform • COVID surveillance contributed $2 million in incremental instruments revenue
Microarrays Instruments	$3M	-40%	-50%	
Total Instruments	$193M	-1%	-11%	
Total Products	$1,011M	+4%	-6%	
Sequencing Service & Other	$125M	-2	+13%	• Decline was driven by $20 million of one-time revenue recognized in 2021 from NIPT royalties received related to a patent litigation settlement, partially offset by increased instrument service contracts and contributions from oncology co-development partnerships
Microarrays Service & Other	$20M	-23%	-39%	
Total Service & Other	$145M	-6%	+1%	
Total Revenue - Core Illumina	$1,156M	+3%	-5%	• 4% Yr/Yr growth on a constant currency basis, net of the effects of hedging

Revenue by Geographic Location - Core Illumina

	Q222	Yr/Yr	Qtr/Qtr	Management Commentary
Americas	$633M	+7%	-2%	• Growth primarily due to NovaSeq strength, with continued demand from oncology testing customers driving instrument placements and consumables growth
EMEA	$308M	-4%	-3%	• 1% Yr/Yr growth on a constant currency basis, net of the effect of hedges • Sequencing growth driven by clinical and large scale research projects was more than offset by the UK BioBank program in 2021 and a decline in Covid-19 surveillance revenue
Asia Pacific	$97M	+14%	-27%	• 20% Yr/Yr growth on a constant currency basis, net of the effects of hedges • Growth in the region was primarily due to increased NovaSeq shipments, which doubled year-over-year, driven by large-scale research project demand, as well as strength in NIPT and oncology testing
Greater China	$118M	-11%	-7%	• 10% decrease on a constant currency basis, net of the effects of hedges • The region continued to be impacted by prolonged Covid-19 restrictions and shutdowns that began in March this year

Core Illumina Updates

	Management Commentary
High-Throughput (HT): NovaSeq & HiSeq	• NovaSeq shipments in Q2 grew 23% year-over-year, our highest second quarter ever. Consistent with prior quarters, Clinical customers, primarily in oncology testing, drove half of our NovaSeq shipments • We expect NovaSeq pull-through in the range of $1.1 to $1.2 million per system for 2022
Mid-Throughput (MT): NextSeq	• NextSeq 1K/2K orders were up 20% year-over-year • Despite some shipments shifting from Q2 to Q3 due to supply delays, Q2 NextSeq 1k/2k shipments increased slightly year-over-year • We expect pull-through for NextSeq 1000/2000 in the range of $130,000 to $180,000 per system and for NextSeq 550 in the range of $100,000 to $150,000 per system
Low-Throughput (LT): MiSeq, MiniSeq & iSeq	• Low-throughput shipments were relatively flat year-over-year, even with the comparison to last year's COVID surveillance driven volume • For MiSeq, we continue to expect pull-through in the range of $35,000 to $45,000 per system and for MiniSeq, we continue to expect pull-through in the range of $20,000 to $25,000 per system

GRAIL Updates

	Management Commentary
GRAIL	• GRAIL revenue of $12 million for the quarter consisted primarily of Galleri test fees • The NHS Galleri trial in the UK, the largest multi-cancer early detection study, has enrolled 140,000 volunteers in just over 10 months. The NHS plans to roll Galleri out to an additional 1 million people starting in 2024 • GRAIL recently partnered with AstraZeneca to develop companion diagnostic tests that will identify patients with high-risk, early-stage disease • GRAIL has completed a final analysis of its PATHFINDER study, with data to be presented at the European Society of Medical Oncology Congress, September 9th-13th

Q222 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.

	Q222	Yr/Yr	Qtr/Qtr	Management Commentary
Gross margin	69.8%	-200bps	-40bps	• Decline primarily due to less fixed cost leverage on lower manufacturing volumes, margin impact from one-time revenue from a patent litigation settlement in 2021, and increased freight costs attributable to broader global supply chain pressures. These factors were partially offset by a more favorable product mix, as well as a number of productivity initiatives we continue to execute
Operating expenses	$519M	+$48M	+$14M	• Increase primarily due to headcount growth and investments we are making in R&D to support the continued advancement of our innovation roadmap
Operating margin	24.9%	-510bps	-390bps	

Q222 Non-GAAP Financial Highlights - GRAIL

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

	Q222	Management Commentary
Operating expenses	$156M	• Consisted primarily of expenses related to headcount and clinical trials • These expenses were lower than expected as GRAIL managed its project spend in light of its lower quarterly outlook

Q222 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.

	Q222	Yr/Yr	Qtr/Qtr	Management Commentary
Operating expenses	$666M	+$195M	+$23M	
Other expense, net	$20M	+$18M	+$14M	
Tax rate	25.8%	+790bps	+800bps	• Increase primarily due to the increased impact of R&D expense capitalization requirements implemented by the Tax Cuts and Jobs Act of 2017
Net income attributable to Illumina stockholders	$91M	-$185M	-$78M	• Includes dilution from GRAIL's non-GAAP operating loss of $152 million for the quarter
EPS attributable to Illumina stockholders (diluted)	$0.57	-70%	-47%	• Includes dilution from GRAIL's non-GAAP operating loss of $152 million for the quarter

	Q222	Yr/Yr	Qtr/Qtr	Management Commentary
Cash Flow from Operations	$125M	-$128M	-$47M	
DSO	50 days	+6 days	+4 days	• Increase due to revenue linearity
Capital expenditures	($71M)	+$27M	+$10M	
Free cash flow	$54M	-$155M	-$57M	
Cash, cash equivalents & short-term Investments	$1.3B	-$2,959M	-$89M	

Consolidated Guidance

	FY22 Guidance	Management Commentary
FY22 Consolidated Revenue	4% - 5%	• Expect revenue from Covid surveillance in the range of $110 to $130 million
FY22 Consolidated Non-GAAP Operating Margin	11.5% - 12.0%	
FY22 Consolidated Non-GAAP Diluted EPS	$2.75 - $2.90	• Includes dilution from GRAIL non-GAAP operating loss of approximately $610 million, in line with previous expectations
FY22 Consolidated Non-GAAP Tax Rate	14%	• Assumes that the R&D expense capitalization requirements implemented by the Tax Cuts and Jobs Act of 2017 will be repealed or deferred in Q4
FY22 Non-GAAP Diluted Shares Outstanding	~159 million	

	Q322 Guidance	Management Commentary
Q322 Consolidated Revenue	Flat to +1%	
Q322 Consolidated GAAP Operating Margin	1.5%	
Q322Consolidated non-GAAP Operating Margin	5.0%	
Q322 Consolidated Non-GAAP Tax Rate	22%	• Reflects the negative impact from the R&D capitalization requirements we expect will be repealed or deferred in the fourth quarter of this year
Q322 non-GAAP Diluted Shares Outstanding	~159M	• In line with our full year 2022 guidance

<u>Segment Guidance</u>

	FY22 Guidance	Management Commentary
FY22 Core Illumina Revenue	3.5% - 4.5%	• Within Core Illumina sequencing revenue, we now expect: ○ Instrument growth of 1.5% and consumables growth of 5%, which reflects NovaSeq pull-through in the range of $1.1 to $1.2 million per system for 2022 • This includes intercompany sales to GRAIL of approximately $25 million, which are eliminated in consolidation
FY22 GRAIL Revenue	$50M- $70M	• GRAIL has made substantial progress building a network of partners that will support ongoing adoption of Galleri, but commercial progress is proceeding at a more measured pace as health systems ramp up. For these reasons, GRAIL has revised its revenue guidance
FY22 Core Illumina non-GAAP Operating Margin	24.5% - 25.0%	

	Q322 Guidance	Management Commentary
Q322 Core Illumina non-GAAP Operating Margin	20.0%	

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 legal contingencies, operating income (loss), operating margin, gross profit, other income (expense), 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.

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) the impact to our business and operating results of the COVID-19 pandemic; (ii) changes in the rate of growth in the markets we serve; (iii) the volume, timing and mix of customer orders among our products and services; (iv) our ability to adjust our operating expenses to align with our revenue expectations; (v) our ability to manufacture robust instrumentation and consumables; (vi) the success of products and services competitive with our own; (vii) 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; (viii) the impact of recently launched or pre-announced products and services on existing products and services; (ix) 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; (x) the risks and costs associated with the integration of, and our ability to integrate, GRAIL's business successfully to achieve anticipated synergies, including the restrictions on integration during any hold separate period or any delay in integration following any hold separate period; (xi) the risk that disruptions from the consummation of our acquisition of GRAIL or any associated legal or regulatory proceedings or obligations will harm our business, including current plans and operations; (xii) potential adverse reactions or changes to business relationships resulting from the consummation of our acquisition of GRAIL; (xiii) 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; (xiv) our ability to obtain approval by third-party payors to reimburse patients for our products; (xv) our ability to obtain regulatory clearance for our products from government agencies; (xvi) our ability to successfully partner with other companies and organizations to develop new products, expand markets, and grow our business; (xvii) our ability to successfully identify and integrate acquired technologies, products, or businesses; (xviii) the application of generally accepted accounting principles, which are highly complex and involve many subjective assumptions, estimates, and judgments and (xix) 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.

# # #

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

	Three Months Ended		Six Months Ended	
	July 3, 2022	July 4, 2021	**July 3, 2022**	July 4, 2021
Net cash provided by operating activities	**$ 125**	$ 253	**$ 297**	$ 535
Net cash (used in) provided by investing activities	**(165)**	3	**(239)**	1,379
Net cash (used in) provided by financing activities	**(5)**	(496)	**16**	472
Effect of exchange rate changes on cash and cash equivalents	**(17)**	3	**(17)**	—
Net (decrease) increase in cash and cash equivalents	**(62)**	(237)	**57**	2,386
Cash and cash equivalents, beginning of period	**1,351**	4,433	**1,232**	1,810
Cash and cash equivalents, end of period	**$ 1,289**	$ 4,196	**$ 1,289**	$ 4,196
Calculation of free cash flow:				
Net cash provided by operating activities	**$ 125**	$ 253	**$ 297**	$ 535
Purchases of property and equipment	**(71)**	(44)	**(132)**	(86)
Free cash flow **(a)**	**$ 54**	$ 209	**$ 165**	$ 449

(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 July 3, 2022					
	2022	**2021**	**Growth %**	**2022 Currency Impact**	**2022 Constant Currency Revenues (a)**	**Constant Currency Growth % (a)**
Core Illumina	**$ 1,156**	$ 1,126	**3 %**	$ 19	$ 1,175	4 %
GRAIL	**12**	—	**100 %**	—	12	100 %
Eliminations	**(6)**	—	**100 %**	—	(6)	100 %
Consolidated revenue	**$ 1,162**	$ 1,126	**3 %**	$ 19	$ 1,181	5 %

(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 - Non-GAAP
(In millions, except per share amounts)
(unaudited)

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

	Three Months Ended		Six Months Ended	
	July 3, 2022	July 4, 2021	July 3, 2022	July 4, 2021
GAAP (loss) earnings per share - diluted	**$ (3.40)**	$ 1.26	**$ (2.85)**	$ 2.26
Cost of revenue **(b)**	**0.25**	0.05	**0.50**	0.10
R&D expense **(b)**	**—**	—	**—**	—
SG&A expense **(b)**	**0.45**	0.98	**0.38**	2.01
Legal contingencies **(b)**	**3.88**	—	**3.88**	—
Other expense (income), net **(b)**	**0.24**	(0.16)	**0.48**	(0.02)
GILTI and U.S. foreign tax credits **(c)**	**0.04**	—	**0.20**	—
Incremental non-GAAP tax expense **(d)**	**(0.89)**	(0.25)	**(0.96)**	(0.55)
Income tax (benefit) provision **(e)**	**0.01**	(0.01)	**0.03**	(0.04)
Effect of dilutive shares **(f)**	**(0.01)**	—	**(0.02)**	—
Non-GAAP earnings per share - diluted **(a)**	**$ 0.57**	$ 1.87	**$ 1.64**	$ 3.76
GAAP diluted shares	**157**	147	**157**	147
Non-GAAP dilutive shares **(g)**	**2**	—	**2**	—
Non-GAAP diluted shares	**159**	**147**	**159**	**147**

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

	Three Months Ended		Six Months Ended	
	July 3, 2022	July 4, 2021	July 3, 2022	July 4, 2021
GAAP net (loss) income	**$ (535)**	$ 185	**$ (449)**	$ 333
Cost of revenue **(b)**	**40**	7	**79**	14
R&D expense **(b)**	**—**	—	**—**	—
SG&A expense **(b)**	**71**	144	**60**	295
Legal contingencies **(b)**	**609**	—	**609**	—
Other expense (income), net **(b)**	**38**	(22)	**76**	(2)
GILTI and U.S. foreign tax credits **(c)**	**6**	—	**31**	—
Incremental non-GAAP tax expense **(d)**	**(139)**	(36)	**(151)**	(80)
Income tax (benefit) provision **(e)**	**1**	(2)	**5**	(6)
Non-GAAP net income **(a)**	**91**	**276**	**260**	**554**
Add: interest expense on convertible notes, net of tax **(h)**	**—**	—	**1**	—
Non-GAAP net income - for diluted earnings per share	**$ 91**	**$ 276**	**$ 261**	**$ 554**

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not foot or 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 our Itemized Reconciliations between GAAP and Non-GAAP Results of Operations below for the components of these amounts.

(c) Amount represents 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 difference between book and tax accounting related to stock-based compensation cost.
(f) In loss periods, GAAP diluted loss per share excludes dilutive potential common shares as the effect of including these shares in the calculation is anti-dilutive. The amounts represent the impact of dilutive shares to non-GAAP diluted earnings per share, which is calculated using weighted-average shares, adjusted for dilutive potential shares that were assumed outstanding during Q2 2022 and YTD 2022.
(g) The amounts represent potentially dilutive shares from the 2023 Convertible Senior Notes and outstanding equity awards. The effect of including such shares in the calculation of non-GAAP diluted earnings per share is dilutive.
(h) Amount represents interest expense on the 2023 Convertible Senior Notes, net of any income tax effects, which is added back to the numerator for purposes of the if-converted method used to calculate non-GAAP diluted earnings per share upon the adoption of ASU 2020-06, as it would have a dilutive effect on the calculation of non-GAAP diluted earnings per share.

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									
	July 3, 2022									
	Core Illumina			GRAIL		Eliminations		Consolidated		
GAAP gross profit (loss) (b)	$	801	69.3 %	$	(29)	$	(5)	$	767	66.0 %
Amortization of acquired intangible assets		6	0.5 %		33		—		40	3.4 %
Non-GAAP gross profit **(a)**	$	807	69.8 %	$	4	$	(5)	$	807	69.4 %
GAAP and non-GAAP R&D expense	$	249	21.5 %	$	86	$	(8)	$	327	28.1 %
GAAP SG&A expense	$	339	29.3 %	$	72	$	(1)	$	410	35.4 %
Amortization of acquired intangible assets		—	—		(1)		—		(1)	(0.1)%
Contingent consideration liability **(e)**		(38)	(3.3)%		—		—		(38)	(3.3)%
Acquisition-related expenses **(f)**		(31)	(2.7)%		(1)		—		(32)	(2.8)%
Non-GAAP SG&A expense	$	270	23.3 %	$	70	$	(1)	$	339	29.2 %
GAAP legal contingencies	$	609	52.6 %	$	—		—	$	609	52.3 %
Legal contingencies **(d)**		(609)	(52.6)%		—		—		(609)	(52.3)%
Non-GAAP legal contingencies	$	—	—	$	—	$	—	$	—	—
GAAP operating loss	$	(396)	(34.3)%	$	(187)	$	4	$	(579)	(49.8)%
Cost of revenue		6	0.5 %		33		—		40	3.4 %
SG&A costs		69	6.1 %		2		—		71	6.3 %
Legal contingencies		609	52.6 %		—		—		609	52.3 %
Non-GAAP operating profit (loss) **(a)**	$	288	24.9 %	$	(152)	$	4	$	141	12.2 %
GAAP other expense, net	$	(58)	(5.0)%	$	—	$	—	$	(58)	(5.0)%
Strategic investment related loss, net **(i)**		30	2.6 %		—		—		30	2.6 %
Loss on Helix contingent value right **(j)**		8	0.7 %		—		—		8	0.7 %
Non-GAAP other expense, net	$	(20)	(1.7)%	$	—	$	—	$	(20)	(1.7)%

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not foot or 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 July 4, 2021					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (b)	$ 802	71.2 %	$ —	$ —	$ 802	71.2 %
Amortization of acquired intangible assets	7	0.6 %	—	—	7	0.6 %
Non-GAAP gross profit **(a)**	$ 809	71.8 %	$ —	$ —	$ 809	71.8 %
GAAP and non-GAAP R&D expense	$ 202	18.0 %	$ —	$ —	$ 202	18.0 %
GAAP SG&A expense	$ 413	36.6 %	$ —	$ —	$ 413	36.6 %
Acquisition-related expenses **(f)**	(145)	(13.0)%	—	—	(145)	(13.0)%
Expenses related to COVID-19 **(c)**	(1)	—	—	—	(1)	—
Gain on litigation **(h)**	2	0.2 %	—	—	2	0.2 %
Non-GAAP SG&A expense	$ 269	23.8 %	$ —	$ —	$ 269	23.8 %
GAAP operating profit	$ 187	16.6 %	$ —	$ —	$ 187	16.6 %
Cost of revenue	7	0.6 %	—	—	7	0.6 %
SG&A costs	144	12.8 %	—	—	144	12.8 %
Non-GAAP operating profit **(a)**	$ 338	30.0 %	$ —	$ —	$ 338	30.0 %
GAAP other income, net	$ 20	1.8 %	$ —	$ —	$ 20	1.8 %
Strategic investment related gain, net **(i)**	(25)	(2.2)%	—	—	(25)	(2.2)%
Gain on Helix contingent value right **(j)**	(8)	(0.7)%	—	—	(8)	(70.0)%
Non-cash interest expense **(k)**	10	0.9 %	—	—	10	0.9 %
Loss on extinguishment of debt **(n)**	1	—	—	—	1	—
Non-GAAP other expense, net	$ (2)	(0.2)%	$ —	$ —	$ (2)	(0.2)%

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not foot or 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:

	Six Months Ended July 3, 2022					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$1,651	69.5 %	$ (58)	$ (10)	$1,583	66.3 %
Amortization of acquired intangible assets	13	0.5 %	67	—	79	3.4 %
Non-GAAP gross profit **(a)**	$1,664	70.0 %	$ 9	$ (10)	$1,662	69.7 %
GAAP and non-GAAP R&D expense	$ 486	20.5 %	$ 171	$ (7)	$ 650	27.3 %
GAAP SG&A expense	$ 590	24.8 %	$ 130	$ (1)	$ 719	30.1 %
Amortization of acquired intangible assets	—	—	(2)	—	(3)	(0.1)%
Contingent consideration liability **(e)**	11	0.5 %	—	—	11	0.5 %
Acquisition-related expenses **(f)**	(64)	(2.7)%	(5)	—	(68)	(2.9)%
Non-GAAP SG&A expense	$ 537	22.6 %	$ 123	$ (1)	$ 659	27.6 %
GAAP legal contingencies	$ 609	25.6 %	$ —	$ —	$ 609	25.5 %
Legal contingencies **(d)**	(609)	(25.6)%	—	—	(609)	(25.5)%
Non-GAAP legal contingencies	$ —	—	$ —	$ —	$ —	—
GAAP operating loss	$ (34)	(1.4)%	$ (359)	$ (2)	$ (395)	(16.6)%
Cost of revenue	13	0.5 %	67	—	79	3.4 %
SG&A costs	52	2.2 %	7	—	60	2.5 %
Legal contingencies	609	25.6 %	—	—	609	25.5 %
Non-GAAP operating profit (loss) **(a)**	$ 640	26.9 %	$ (285)	$ (2)	$ 353	14.8 %
GAAP other expense, net	$ (102)	(4.3)%	$ —	$ —	$ (102)	(4.3)%
Strategic investment related loss, net **(i)**	73	3.1 %	—	—	73	3.1 %
Loss on Helix contingent value right **(j)**	3	0.1 %	—	—	3	0.1 %
Non-GAAP other expense, net	$ (26)	(1.1)%	$ —	$ —	$ (26)	(1.1)%

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not foot or 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:

	Six Months Ended July 4, 2021					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (b)	$1,566	70.6 %	$ —	$ —	$1,566	70.6 %
Amortization of acquired intangible assets	13	0.6 %	—	—	13	0.6 %
Expenses related to COVID-19 **(c)**	1	—	—	—	1	—
Non-GAAP gross profit **(a)**	$1,580	71.2 %	$ —	$ —	$1,580	71.2 %
GAAP and non-GAAP R&D expense	$ 398	18.0 %	$ —	$ —	$ 398	18.0 %
GAAP SG&A expense	$ 787	35.4 %	$ —	$ —	$ 787	35.4 %
Amortization of acquired intangible assets	(1)	—	—	—	(1)	—
Acquisition-related expenses **(f)**	(295)	(13.3)%	—	—	(295)	(13.3)%
Expenses related to COVID-19 **(c)**	(2)	(0.1)%	—	—	(2)	(0.1)%
Income related to COVID-19 **(g)**	1	—	—	—	1	—
Gain on litigation **(h)**	2	0.1 %	—	—	2	0.1 %
Non-GAAP SG&A expense	$ 492	22.1 %	$ —	$ —	$ 492	22.1 %
GAAP operating profit	$ 381	17.2 %	$ —	$ —	$ 381	17.2 %
Cost of revenue	14	0.6 %	—	—	14	0.6 %
SG&A costs	295	13.3 %	—	—	295	13.3 %
Non-GAAP operating profit **(a)**	$ 690	31.1 %	$ —	$ —	$ 690	31.1 %
GAAP other expense, net	$ (3)	(0.2)%	$ —	$ —	$ (3)	(0.2)%
Strategic investment related loss, net **(i)**	14	0.7 %	—	—	14	0.7 %
Gain on Helix contingent value right **(j)**	(18)	(0.8)%	—	—	(18)	(0.8)%
Non-cash interest expense **(k)**	20	1.0 %	—	—	20	1.0 %
Gain on derivative assets **(l)**	(26)	(1.2)%	—	—	(26)	(1.2)%
Bridge facility fees **(m)**	7	0.3 %	—	—	7	0.3 %
Loss on extinguishment of debt **(n)**	1	—	—	—	1	—
Non-GAAP other expense, net	$ (5)	(0.2)%	$ —	$ —	$ (5)	(0.2)%

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not foot or 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, 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 of direct and incremental expenses incurred due to the COVID-19 pandemic, primarily expenses related to employee testing and incremental cleaning in 2021. Such expenses were not excluded in 2022.
(d) Amounts relate to an accrual of $453 million, recorded in Q2 2022, for the potential fine that the European Commission may impose on us of up to 10% of our consolidated annual revenues and an estimated accrual of $156 million, also recorded in Q2 2022, related to the settlement of our litigation with BGI in July 2022.
(e) Amounts consist primarily of fair value adjustments for our contingent consideration liability related to the GRAIL acquisition.
(f) Amounts consist primarily of legal expenses related to our acquisitions. Amounts for Q2 2021 and the first half of 2021 include $105 million in Continuation Payments paid during both Q1 and Q2 2021.
(g) Amount consists of direct and incremental income due to the COVID-19 pandemic, primarily payroll-related credits earned in the U.S. and Canada in Q1 2021. Such income was not excluded in 2022.
(h) Amount consists of a gain related to a patent litigation settlement.
(i) Amounts consist primarily of mark-to-market adjustments from our strategic investments.
(j) Amounts consist of fair value adjustments related to our Helix contingent value right.
(k) Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash. We adopted ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-10*), on January 3, 2022, using the modified retrospective method. The adoption eliminated the non-cash interest expense related to the conversion feature of our 2023 Convertible Notes beginning in Q1 2022.
(l) Amount represents gain recorded on our derivative assets related to the terminated acquisition with Pacific Biosciences as a result of Pacific Biosciences repaying to us $52 million in Continuation Advances.
(m) Amount consists of expenses related to the bridge facility commitment, which was terminated in March 2021 in conjunction with our issuance of term notes.
(n) Amount consists of loss on extinguishment of our 2021 Convertible Senior Notes, which matured in June 2021.

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

CONSOLIDATED ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP TAX PROVISION:

	Three Months Ended July 3, 2022	
GAAP tax provision	**$ (102)**	**16.0 %**
Incremental non-GAAP tax expense **(a)**	139	
Income tax provision **(b)**	(1)	
GILTI and U.S. foreign tax credits **(c)**	(6)	
Non-GAAP tax provision	$ 30	25.8 %

(a) Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed in Table 2 above.
(b) Amount represents the difference between book and tax accounting related to stock-based compensation cost.
(c) Amount represents 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 2, 2022 filed with the SEC on February 18, 2022, and Form 10-Q for the fiscal quarter ended April 3, 2022. We assume no obligation to update any forward-looking statements or information.

TABLE 6: RECONCILIATION BETWEEN GAAP AND NON-GAAP DILUTED EARNINGS (LOSS) PER SHARE GUIDANCE:

	Fiscal Year 2022
Consolidated GAAP diluted loss per share (b)	**$(2.93) - $(2.78)**
Amortization of acquired intangible assets	1.12
Legal contingencies **(c)**	3.82
Acquisition-related expenses **(d)**	0.43
Strategic investment related loss, net **(e)**	0.46
Loss on Helix contingent value right **(f)**	0.02
Contingent consideration liability **(g)**	(0.07)
Gain on litigation **(h)**	(0.05)
GILTI and U.S. foreign tax credits **(i)**	0.46
Incremental non-GAAP tax expense **(j)**	(0.54)
Income tax provision **(k)**	0.03
Consolidated non-GAAP diluted earnings per share **(a)(b)**	$2.75 - $2.90

(a) Non-GAAP diluted earnings per share exclude the effect 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) The GAAP and non-GAAP diluted (loss) earnings per share guidance ranges assume that the R&D expense capitalization requirement implemented by the Tax Cuts and Jobs Act of 2017 will be repealed or deferred in the fourth quarter of 2022. If the R&D expense capitalization requirement is not repealed or deferred in 2022, the company's tax expense will be negatively impacted.
(c) Amount consists of legal accruals recorded in Q2 2022, including an accrual of $453 million for the potential fine that the European Commission may impose on us of up to 10% of our consolidated annual revenues and an estimated accrual of $156 million related to the settlement of our litigation with BGI in July 2022.
(d) Amount consists primarily of legal expenses related to our acquisitions.
(e) Amount consists primarily of mark-to-market adjustments from our strategic investments.
(f) Amount consists of fair value adjustments related to our Helix contingent value right.
(g) Amount consists primarily of fair value adjustment for our contingent consideration liability related to the GRAIL acquisition.
(h) Amount consists of damages awarded to us (preliminary gain contingency) from previous litigation with BGI that will be settled in Q3 2022 as a result of the settlement agreement we executed with BGI on July 14, 2022.
(i) Amount represents the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.
(j) Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed.
(k) Amount represents difference between book and tax accounting related to stock-based compensation cost.

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

	Three Months Ended					
	July 3, 2022					
	2022	2021	Growth %	2022 Currency Impact	2022 Constant Currency Revenues (a)	Constant Currency Growth % (a)
Americas	**$ 639**	$ 589	**8 %**	$ —	$ 639	8 %
Europe, Middle East, and Africa	**308**	320	**(4)%**	14	322	1 %
Greater China **(b)**	**118**	132	**(11)%**	1	119	(10)%
Asia-Pacific	**97**	85	**14 %**	5	102	20 %
Total	**$ 1,162**	$ 1,126	**3 %**	$ 19	$ 1,181	5 %

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

(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 China, Taiwan, and Hong Kong.

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 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 2, 2022 filed with the SEC on February 18, 2022, and Form 10-Q for the fiscal quarter ended April 3, 2022. We assume no obligation to update any forward-looking statements or information. We assume no obligation to update any forward-looking statements or information.

RECONCILIATION BETWEEN GAAP AND NON-GAAP OPERATING MARGIN GUIDANCE:

	Q3 2022
Consolidated GAAP operating margin	**1.5%**
Amortization of acquired intangible assets	4.2
Gain on litigation **(b)**	(0.7)
Consolidated non-GAAP operating margin **(a)**	5.0%

	FY 2022
Consolidated GAAP operating margin	**(6.3)% - (5.8)%**
Amortization of acquired intangible assets	3.8
Legal contingencies **(c)**	12.9
Acquisition-related expenses **(d)**	1.5
Contingent consideration liability **(e)**	(0.2)
Gain on litigation **(b)**	(0.2)
Consolidated non-GAAP operating margin **(a)**	11.5% - 12.0%

	Q3 2022
Core Illumina GAAP operating margin	**19.6%**
Amortization of acquired intangible assets	1.1
Gain on litigation **(b)**	(0.7)
Core Illumina non-GAAP operating margin **(a)**	20.0%

	FY 2022
Core Illumina GAAP operating margin	**9.7% - 10.2%**
Amortization of acquired intangible assets	0.8
Legal contingencies **(c)**	13.0
Acquisition-related expenses **(d)**	1.4
Contingent consideration liability **(e)**	(0.2)
Gain on litigation **(b)**	(0.2)
Core Illumina non-GAAP operating margin **(a)**	24.5% - 25.0%

(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.
(b) Amount consists of damages awarded to us (preliminary gain contingency) from previous litigation with BGI that will be settled in Q3 2022 as a result of the settlement agreement we executed with BGI on July 14, 2022.
(c) Amounts consist of legal accruals recorded in Q2 2022, including an accrual of $453 million for the potential fine that the European Commission may impose on us of up to 10% of our consolidated annual revenues and an estimated accrual of $156 million related to the settlement of our litigation with BGI in July 2022.
(d) Amount consists primarily of legal expenses related to our acquisition of GRAIL.
(e) Amount consists of fair value adjustment for our contingent consideration liability related to the GRAIL acquisition.

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

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

	FY 2022
GRAIL GAAP operating loss	$ (748)
Amortization of acquired intangible assets	138
GRAIL non-GAAP operating loss **(a)**	$ (610)

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

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

RECONCILIATION BETWEEN GAAP AND NON-GAAP TAX RATE GUIDANCE:

	Q3 2022	
GAAP tax provision	**$ 5**	**33 %**
Incremental non-GAAP tax expense **(a)**	16	
GILTI and U.S. foreign tax credits **(b)**	(10)	
Non-GAAP tax provision **(d)**	$ 11	22 %

	FY 2022	
GAAP tax provision	**$ 68**	**(18)%**
Incremental non-GAAP tax expense **(a)**	85	
Income tax provision **(c)**	(5)	
GILTI and U.S. foreign tax credits **(b)**	(74)	
Non-GAAP tax provision **(e)**	$ 74	14 %

(a) Amount for Q3 2022 reflects the tax impact related to expected amortization of acquired intangible assets. Amount for FY 2022 reflects the tax impact related to the non-GAAP adjustments listed in Table 6 above.
(b) Amounts represent the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.
(c) Amount represents the difference between book and tax accounting related to stock-based compensation cost.
(d) The Q3 2022 non-GAAP tax rate guidance continues to reflect the negative impact from the R&D capitalization requirement, which we expect will be repealed or deferred in Q4 2022.
(e) The FY 2022 non-GAAP tax rate guidance continues to assume that the R&D expense capitalization requirement implemented by the Tax Cuts and Jobs Act of 2017 will be repealed or deferred in Q4 2022. If the R&D expense capitalization requirement is not repealed or deferred in 2022, the company’s tax expense will be negatively impacted.