ILMN Q423 Summary of Prepared Remarks

Revenue - Core Illumina

	Q423	Yr/Yr	Qtr/Qtr	Management Commentary
Sequencing Consumables	$687M	—	-1%	• Flat Yr/Yr as stronger-than-expected NovaSeq X consumables purchases were largely offset by the anticipated reduction in NovaSeq 6000 consumables and the impact of pricing transitions, as customers continue to adopt the NovaSeq X ○ Also impacted by the decrease in COVID surveillance, the effects of sanctions in Russia, and the year-over-year reduction in China revenue, as well the continued impact of macroeconomic conditions on customers' purchasing behavior • Total activity on our connected high- and mid-throughput instruments grew 46% Yr/Yr in the quarter following the 29% year-over-year growth we reported in Q3. Sequentially, Q4 sequencing activity grew 13% from Q3 ○ We believe this data is a useful reference that shows the general activity trends across our installed base and is directionally correlated with revenue over time
Microarray Consumables	$74M	-8%	+4%	
Total Consumables	$761M	-1%	-1%	
Sequencing Instruments	$161M	+10%	-10%	• Yr/Yr growth driven primarily by NovaSeq X, which more than offset the decline in NovaSeq 6000 shipments ○ Growth in high throughput instruments was partially offset by the expected decline in mid- and low-throughput shipments due to capital purchase and cashflow constraints that continue to impact our customers' purchasing behaviors, as well as local competition in China
Microarray Instruments	$6M	+20%	+100%	
Total Instruments	$167M	+11%	-8%	
Total Products	$928M	+1%	-2%	

	Q423	Yr/Yr	Qtr/Qtr	Management Commentary
Sequencing Service and Other	$152M	+16%	+7%	• Yr/Yr increase driven primarily by an increase in revenue from strategic partnerships and higher instrument service contract revenue on a growing installed base
Microarrays Service and Other	$17M	+6%	+6%	
Total Service and Other	$169M	+15%	+7%	
Total Revenue - Core Illumina	$1,097M	+3%	-1%	• Yr/Yr included an anticipated reduction of approximately 5 percentage points from two primary categories: ○ One, the decrease in COVID surveillance and the effect of sanctions in Russia that together represented approximately 3 percentage points ○ And two, the year-over-year reduction in China revenue that represented approximately 2 percentage points • Despite these impacts, Core Illumina revenue exceeded expectations due to stronger than projected NovaSeq X placements and uptake in X consumables, with strong early demand for the 25B flow cell that launched in Q4 • COVID surveillance contributed approximately $4 million in total revenue in Q4 2023 compared to $20 million in Q4 2022

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 Asia-Pacific and Japan with emerging markets across the Middle East, Africa, Turkey, and Commonwealth of Independent States (CIS). Beginning in Q1 2023 and going forward, we will report regional results for the following regions: Americas, Europe, Greater China and Asia-Pacific, Middle East and Africa (AMEA).

	Q423	Yr/Yr	Qtr/Qtr	Management Commentary
Americas	$576M	—	-11%	
Europe	$315M	+17%	+21%	
Greater China	$82M	-13%	-16%	• Yr/Yr decline reflected continued geopolitical challenges and local competition in mid-throughput • China and our customers there are important to Illumina. We have already taken certain pricing and other strategic actions that are beginning to yield results. We will share more specifics on our progress there over time
AMEA	$124M	-1%	+27%	• Included a 10-percentage-point impact from sanctions in Russia Yr/Yr

Core Illumina Updates

	Management Commentary
High-Throughput (HT): NovaSeq & HiSeq	• NovaSeq X: we exited Q4 with 390 orders since launch. Our shipments of 79 NovaSeq X instruments in Q4 brought our total installed base to 352 instruments • While we expect most of our NovaSeq 6000 customers to transition to the NovaSeq X over time, we are still very early in this transition. As of the end of 2023, our net installed base for NovaSeq 6000 was approximately 1,770 instruments, which reflects approximately 110 instruments that have been deactivated between 2017 and 2023. The majority of these were in 2023 due to customer transitions to NovaSeq X. We expect this to increase in 2024 as customers continue to ramp up utilization of NovaSeq X o Additionally, going forward, we will be reporting our annual instrument installed base figures on a net basis, which accounts for instruments that have been decommissioned or inactivated since launch. Supplemental information to help with modeling is included in our Q4 earnings presentation posted on our investor relations website • For high throughput more broadly, across the NovaSeq X and NovaSeq 6000, we placed more than 400 instruments in 2023. In 2024, we will support this growing installed base as customers launch larger projects and more sequencing-intensive applications like multiomics, liquid biopsy, and minimal residual disease, or MRD • We anticipate ongoing high-throughput instrument orders throughout 2024, primarily coming from further conversion of NovaSeq 6000 customers to the X, from customer fleet expansions and, longer-term, from new-to-high throughput customers. With that said, given the significant number of placements in 2023, we believe we will ultimately ship fewer high throughput instruments in 2024 • In Q4, we saw higher-than-expected growth in X consumables sales, following the late October launch of our much-anticipated 25B reagent kit. More recently, in January, we launched the 1.5B kit, which together with the 25B and 10B flow cells, allows us to offer a full suite of products to NovaSeq X customers. While we will continue to see customers reduce their inventories of NovaSeq 6000 consumables as they transition to the X, building pull-through on the NovaSeq X will drive our overall high-throughput consumables growth this year
Mid-Throughput (MT): NextSeq	• This quarter we will be making XLEAP available to our mid-throughput customers, on their existing NextSeq 1k/2k instruments – without having to upgrade their instruments

GRAIL Updates

	Management Commentary
GRAIL	• GRAIL revenue of $30 million for the quarter grew 30% year-over-year driven primarily by adoption of Galleri • In December, we announced that we would divest GRAIL with a goal of finalizing the terms of a transaction by the end of the second quarter of this year. We continue to pursue parallel paths: the divestiture will be executed through a third-party sale or capital markets transaction, consistent with the European Commission's divestiture order

Q423 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.

	Q423	Yr/Yr	Qtr/Qtr	Management Commentary
Gross margin	64.7%	-260bps	-130bps	• Yr/Yr decrease primarily driven by the mix of lower margin strategic partnership revenue; lower instrument margins due to the NovaSeq X launch, which is typical with a new platform introduction; and increased field services and installation costs, partially offset by lower freight costs
Operating expenses	$507M	-$21M	+$26M	• Down Yr/Yr primarily due to continued expense reduction initiatives and lower performance-based stock compensation expense year-over-year
Operating margin	18.5%	+70bps	-400bps	• Up Yr/Yr due to increased revenue and lower operating expenses

Q423 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.

	Q423	Yr/Yr	Qtr/Qtr	Management Commentary
Operating expenses	$167M	+$1M	+$6M	

Q423 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.

	Q423	Yr/Yr	Qtr/Qtr	Management Commentary
Operating expenses	$671M	-$19M	+$31M	
Other expense, net	($3M)	+$3M	-$3M	
Tax rate	55.4%	+2,610bps	+1,570bps	• FY 2023 Tax rate was 41.8% compared to 26.0% for FY 2022 ○ Although both periods reflect the impact of R&D capitalization requirements, the impact to our effective tax rate in 2023 was more significant due to our lower earnings ○ In addition, our non-GAAP tax rate for both years include a meaningful impact from the consolidation of GRAIL's losses. Absent the impact of GRAIL, our full year 2023 Core tax rate was in the mid-twenties
Net income	$22M	—	-$30M	• Included dilution from GRAIL's non-GAAP operating loss of $152 million for the quarter
EPS (diluted)	$0.14	—	-$0.19	• Exceeded our expectations driven by higher revenue and gross margin and lower operating expense for the quarter

	Q423	Yr/Yr	Qtr/Qtr	Management Commentary
Cash flow from operations	$224M	+$77M	+$85M	
Capital expenditures	($51M)	-$37M	+$6M	
Free cash flow	$173M	+$114M	+$79M	
Cash, cash equivalents & short-term investments	$1.1B	-$983M	+$121M	

Segment Guidance - Core Illumina

	FY24 Guidance	Management Commentary
FY24 Core Illumina Revenue	Approximately flat Yr/Yr	• We expect Core Illumina sequencing instrument revenue to decline in the high teens year-over-year driven primarily by a decrease in NovaSeq X instrument placements. The reduction reflects the expected transition in our adoption curve to early majority customers from early adopters and the lower backlog entering 2024 compared to 2023. We also expect capital and cashflow constraints to continue to impact purchasing behavior and moderate instrument placements in 2024 • We expect Core Illumina sequencing consumables revenue to grow in the low single-digits year-over-year driven primarily by modest growth in high-throughput consumables, as increased NovaSeq X consumables purchases and sequencing volume outpace the expected decline in NovaSeq 6000 consumables and the impact of pricing transitions • Going forward, we will be calculating and providing pull-through figures based on the instruments net installed base. Importantly, this does not change reported revenue in any way. Supplemental information to help with modeling is included in our Q4 earnings presentation posted on our investor relations website ○ We expect annual pull-through for NovaSeq 6000 of approximately $700,000 to $800,000 per system in 2024, as customers continue to transition sequencing volume to NovaSeq X. We expect annual pull-through for NextSeq 1k/2k in the range of $80,000 to $130,000 per system in 2024, which primarily reflects the impact of customers transitioning to XLEAP chemistry as it becomes available on NextSeq 1K/2K. We expect annual pull-through for MiSeq in the range of $30,000 to $40,000. We expect the remainder of our pull-through ranges to be in line with historical guidance • We expect Core Illumina total sequencing revenue to be approximately flat year-over-year. This includes intercompany sales to GRAIL of approximately $30 million, which are eliminated in consolidation
FY24 Core Illumina Non-GAAP Operating Margin	~20%	• Our operating margin expectations reflect the benefit of our continued gross margin improvement and expense reduction initiatives, offset by normalization of our performance-based compensation, as well as the impacts of inflation and market-based merit increases

	Q124 Guidance	Management Commentary
Q124 Core Illumina Revenue	Down 3.5% - 4.5% Yr/Yr	• Yr/Yr decrease driven by the following factors: ○ We expect lower NovaSeq X instrument shipments year-over-year given that we are entering 2024 with a more modest backlog compared to the significant pre-order book we entered in 2023 following the launch of NovaSeq X ○ We expect the increase in NovaSeq X consumables purchases year-over-year to be largely offset by the anticipated reduction in NovaSeq 6000 consumables and the impact of pricing transitions, consistent with the trend we saw in Q4 ○ We expect an increase in sequencing service and other revenue year-over-year driven by strategic partnership initiatives and higher instrument service contract revenue on a growing installed base
Q124 Core Illumina Non-GAAP Operating Margin	~18%	
Q124 Core Illumina Non-GAAP Other Expense, Net	~$12M	• Yr/Yr increase driven primarily by lower interest income on our lower cash balance following the repayment of our convertible notes in mid-2023

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 and intangible 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 provides forward-looking guidance on a non-GAAP basis. The company is unable to provide a reconciliation of forward-looking non-GAAP financial measures to the most directly comparable GAAP reported financial measures because it is unable to predict with reasonable certainty the financial impact of items 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 reported results for the guidance period. 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; (xi) to deploy new products, services, and applications, and to expand the markets for our technology platforms; (xii) the risks and costs associated with our ongoing inability to integrate GRAIL due to the transitional measures imposed on us by the European Commission as a result of their prohibition of our acquisition of GRAIL and orders issued by the European Commission and the Federal Trade Commission requiring that we divest GRAIL; (xiii) the risks and costs associated with the expected divestment of GRAIL, including the possibility that the terms on which we divest all or a portion of the assets or equity interests of GRAIL are materially worse than those on which we acquired GRAIL; (xiv) our ability to satisfy the necessary conditions to consummate the divestiture of GRAIL on a timely basis or at all, due to the requirements set by the European Commission; (xv) the risk that disruptions from the consummation of our acquisition of GRAIL and associated legal or regulatory proceedings, including appeals, or obligations will harm our business, including current plans and operations; (xvi) the risk of incurring additional fines associated with the consummation of our acquisition of GRAIL; (xvii) our ability to obtain approval by third-party payors to reimburse patients for our products; (xviii) our ability to obtain regulatory clearance for our products from government agencies; (xix) our ability to successfully partner with other companies and organizations to develop new products, expand markets, and grow our business; (xx) uncertainty, or adverse economic and business conditions, including as a result of slowing or uncertain economic growth or armed conflict; (xxi) the application of generally accepted accounting principles, which are highly complex and involve many subjective assumptions, estimates, and judgments and (xxii) 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		Year Ended	
	December 31, 2023	January 1, 2023	**December 31, 2023**	January 1, 2023
Net cash provided by operating activities	**$ 224**	$ 147	**$ 478**	$ 392
Net cash used in investing activities	**(84)**	(102)	**(231)**	(591)
Net cash (used in) provided by financing activities	**(27)**	956	**(1,210)**	1,000
Effect of exchange rate changes on cash and cash equivalents	**8**	10	**—**	(22)
Net increase (decrease) in cash and cash equivalents	**121**	1,011	**(963)**	779
Cash and cash equivalents, beginning of period	**927**	1,000	**2,011**	1,232
Cash and cash equivalents, end of period	**$ 1,048**	$ 2,011	**$ 1,048**	$ 2,011
Calculation of free cash flow:				
Net cash provided by operating activities	**$ 224**	$ 147	**$ 478**	$ 392
Purchases of property and equipment	**(51)**	(88)	**(195)**	(286)
Free cash flow **(a)**	**$ 173**	$ 59	**$ 283**	$ 106

(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			Year Ended		
	December 31, 2023	**January 1, 2023**	**% Change**	**December 31, 2023**	**January 1, 2023**	**% Change**
Consolidated revenue	**$ 1,122**	$ 1,083	4 %	**$ 4,504**	$ 4,584	(2)%
Less: Hedge gains	**10**	21		**18**	53	
Consolidated revenue, excluding hedge effect	**1,112**	1,062		**4,486**	4,531	
Less: Exchange rate effect	**10**	—		**(25)**	—	
Consolidated constant currency revenue **(a)**	**$ 1,102**	$ 1,062	4 %	**$ 4,511**	$ 4,531	—
Core Illumina revenue	**$ 1,097**	$ 1,065	3 %	**$ 4,438**	$ 4,553	(3)%
Less: Hedge gains	**10**	21		**18**	53	
Core Illumina revenue, excluding hedge effect	**1,087**	1,044		**4,420**	4,500	
Less: Exchange rate effect	**10**	—		**(25)**	—	
Core Illumina constant currency revenue **(a)**	**$ 1,077**	$ 1,044	3 %	**$ 4,445**	$ 4,500	(1)%

(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			Year Ended		
	December 31, 2023	January 1, 2023	% Change	December 31, 2023	January 1, 2023	% Change
AMR revenue - Core Illumina	**$ 576**	$ 577	—	**$ 2,455**	$ 2,448	—
Less: Hedge gains	**1**	1		**2**	2	
AMR revenue - Core Illumina, excluding hedge effect	**575**	576		**2,453**	2,446	
Less: Exchange rate effect	**—**	—		**(3)**	—	
AMR constant currency revenue - Core Illumina **(a)**	**$ 575**	$ 576	—	**$ 2,456**	$ 2,446	—
AMEA revenue - Core Illumina (b)	**$ 124**	$ 125	(1)%	**$ 459**	$ 544	(16)%
Less: Hedge gains	**4**	6		**9**	15	
AMEA revenue - Core Illumina, excluding hedge effect **(b)**	**120**	119		**450**	529	
Less: Exchange rate effect	**(2)**	—		**(14)**	—	
AMEA constant currency revenue - Core Illumina **(a)(b)**	**$ 122**	$ 119	2 %	**$ 464**	$ 529	(12)%
China revenue - Core Illumina (c)	**$ 82**	$ 94	(13)%	**$ 384**	$ 472	(19)%
Less: Hedge gains	**4**	—		**9**	—	
China revenue - Core Illumina, excluding hedge effect **(c)**	**78**	94		**375**	472	
Less: Exchange rate effect	**—**	—		**(19)**	—	
China constant currency revenue - Core Illumina **(a)(c)**	**$ 78**	$ 94	(17)%	**$ 394**	$ 472	(16)%
Europe revenue - Core Illumina	**$ 315**	$ 269	17 %	**$ 1,140**	$ 1,089	5 %
Less: Hedge gains	**1**	13		**(1)**	36	
Europe revenue - Core Illumina, excluding hedge effect	**314**	256		**1,141**	1,053	
Less: Exchange rate effect	**12**	—		**11**	—	
Europe constant currency revenue - Core Illumina **(a)**	**$ 302**	$ 256	19 %	**$ 1,130**	$ 1,053	7 %

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 Asia-Pacific and Japan with emerging markets across the Middle East, Africa, Turkey, and Commonwealth of Independent States (CIS). Beginning in Q1 2023 and going forward, we will report regional results for the following regions: Americas, Europe, Greater China and Asia-Pacific, Middle East and Africa (AMEA).

(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 (LOSS) EARNINGS PER SHARE:

	Three Months Ended		Year Ended	
	December 31, 2023	**January 1, 2023**	**December 31, 2023**	**January 1, 2023**
GAAP loss per share - diluted	**$ (1.11)**	$ (0.89)	**$ (7.34)**	$ (28.00)
Cost of revenue **(b)**	**0.30**	0.31	**1.24**	1.10
R&D expense **(b)**	**0.08**	0.04	**0.18**	0.05
SG&A expense **(b)**	**0.90**	0.51	**1.54**	(0.31)
Goodwill and intangible impairment **(b)**	**0.04**	—	**5.23**	24.93
Legal contingency and settlement **(b)**	**0.03**	0.14	**0.13**	3.94
Other expense, net **(b)**	**0.01**	0.26	**0.23**	0.78
GILTI and U.S. foreign tax credits **(c)**	**(0.01)**	(0.01)	**0.38**	0.38
Incremental non-GAAP tax expense **(d)**	**(0.28)**	(0.31)	**(0.96)**	(0.83)
Income tax provision **(e)**	**0.18**	0.09	**0.23**	0.11
Effect of dilutive shares **(f)**	**—**	—	**—**	(0.03)
Non-GAAP earnings per share - diluted **(a)**	**$ 0.14**	$ 0.14	**$ 0.86**	$ 2.12
GAAP diluted shares	**159**	158	**158**	157
Non-GAAP dilutive shares **(f)**	**—**	—	**—**	2
Non-GAAP diluted shares	**159**	158	**158**	**159**

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

	Three Months Ended		Year Ended	
	December 31, 2023	**January 1, 2023**	**December 31, 2023**	**January 1, 2023**
GAAP net loss	**$ (176)**	$ (140)	**$ (1,161)**	$ (4,404)
Cost of revenue **(b)**	**48**	49	**196**	173
R&D expense **(b)**	**12**	7	**29**	8
SG&A expense **(b)**	**143**	81	**244**	(48)
Goodwill and intangible impairment **(b)**	**6**	—	**827**	3,914
Legal contingency and settlement **(b)**	**6**	21	**20**	619
Other expense, net **(b)**	**1**	41	**36**	124
GILTI and U.S. foreign tax credits **(c)**	**(2)**	(1)	**61**	60
Incremental non-GAAP tax expense **(d)**	**(44)**	(51)	**(152)**	(129)
Income tax provision **(e)**	**28**	15	**37**	19
Non-GAAP net income **(a)**	**22**	22	**137**	336
Add: interest expense on convertible notes, net of tax **(g)**	**—**	—	**—**	2
Non-GAAP net income for diluted earnings per share	**$ 22**	$ 22	**$ 137**	$ 338

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.
(f) In loss periods, GAAP basic loss per share and diluted loss per share are identical since the effect of potentially dilutive shares is anti-dilutive and therefore excluded. For non-GAAP diluted earnings per share, the impact of potentially dilutive shares from our convertible senior notes and equity awards is included and is calculated based on the sum of weighted-average common shares and potentially dilutive shares outstanding during 2022.
(g) Amount represents interest expense on the 2023 Convertible Senior Notes, net of any income tax effects, which is added back to the numerator used to calculate non-GAAP diluted earnings per share, for purposes of the if-converted method, 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 December 31, 2023					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$ 695	63.3 %	$ (19)	$ (2)	$ 674	60.1 %
Amortization of acquired intangible assets	14	1.3 %	33	—	47	4.2 %
Restructuring **(g)**	1	0.1 %	—	—	1	0.1 %
Non-GAAP gross profit **(a)**	$ 710	64.7 %	$ 14	$ (2)	$ 722	64.4 %
GAAP R&D expense	$ 260	23.7 %	$ 84	$ (3)	$ 341	30.4 %
Acquisition-related expenses **(d)**	(1)	(0.1)%	—	—	(1)	(0.1)%
Restructuring **(g)**	(11)	(1.0)%	—	—	(11)	(1.0)%
Non-GAAP R&D expense	$ 248	22.6 %	$ 84	$ (3)	$ 329	29.3 %
GAAP SG&A expense	$ 391	35.6 %	$ 94	$ —	$ 485	43.2 %
Amortization of acquired intangible assets	—	—	(1)	—	(1)	(0.1)%
Contingent consideration liabilities **(c)**	(58)	(5.2)%	—	—	(58)	(5.1)%
Acquisition-related expenses **(d)**	(24)	(2.2)%	(9)	—	(33)	(2.9)%
Restructuring **(g)**	(48)	(4.4)%	(1)	—	(49)	(4.4)%
Proxy contest	(2)	(0.2)%	—	—	(2)	(0.2)%
Non-GAAP SG&A expense	$ 259	23.6 %	$ 83	$ —	$ 342	30.5 %
GAAP goodwill and intangible impairment	$ 6	0.5 %	$ —	$ —	$ 6	0.5 %
Intangible (IPR&D) impairment **(i)**	(6)	(0.5)%	—	—	(6)	(0.5)%
Non-GAAP goodwill and intangible impairment	$ —	—	$ —	$ —	$ —	—
GAAP legal contingency and settlement	$ 6	0.5 %	$ —	$ —	$ 6	0.5 %
Legal contingency and settlement **(h)**	(6)	(0.5)%	—	—	(6)	(0.5)%
Non-GAAP legal contingency and settlement	$ —	—	$ —	$ —	$ —	—
GAAP operating profit (loss)	$ 33	3.0 %	$ (197)	$ —	$ (164)	(14.6)%
Cost of revenue	15	1.4 %	33	—	48	4.3 %
R&D costs	12	1.1 %	—	—	12	1.1 %
SG&A costs	131	12.0 %	12	—	143	12.8 %
Goodwill and intangible impairment	6	0.5 %	—	—	6	0.5 %
Legal contingency and settlement	6	0.5 %	—	—	6	0.5 %
Non-GAAP operating profit (loss) **(a)**	$ 203	18.5 %	$ (152)	$ —	$ 51	4.6 %
GAAP other (expense) income, net	$ (6)	(0.5)%	$ 2	$ —	$ (4)	(0.4)%
Gain on Helix contingent value right **(f)**	(2)	(0.2)%	—	—	(2)	(0.2)%
Unrealized foreign currency loss on EC fine **(j)**	3	0.3 %	—	—	3	0.3 %
Non-GAAP other (expense) income, net **(a)**	$ (5)	(0.4)%	$ 2	$ —	$ (3)	(0.3)%

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 January 1, 2023					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$ 702	65.9 %	$ (26)	$ (4)	$ 672	62.1 %
Amortization of acquired intangible assets	14	1.3 %	34	—	48	4.4 %
Restructuring **(g)**	1	0.1 %	—	—	1	0.1 %
Non-GAAP gross profit **(a)**	$ 717	67.3 %	$ 8	$ (4)	$ 721	66.6 %
GAAP R&D expense	$ 264	24.7 %	$ 85	$ (3)	$ 346	31.9 %
Acquisition-related expenses **(d)**	(1)	(0.1)%	—	—	(1)	(0.1)%
Restructuring **(g)**	(6)	(0.5)%	—	—	(6)	(0.5)%
Non-GAAP R&D expense	$ 257	24.1 %	$ 85	$ (3)	$ 339	31.3 %
GAAP SG&A expense	$ 347	32.6 %	$ 86	$ (1)	$ 432	39.9 %
Amortization of acquired intangible assets	—	—	(1)	—	(1)	(0.1)%
Contingent consideration liabilities **(c)**	(25)	(2.4)%	—	—	(25)	(2.3)%
Acquisition-related expenses **(d)**	(27)	(2.5)%	(4)	—	(31)	(2.9)%
Restructuring **(g)**	(24)	(2.3)%	—	—	(24)	(2.2)%
Non-GAAP SG&A expense	$ 271	25.4 %	$ 81	$ (1)	$ 351	32.4 %
GAAP legal contingency and settlement	$ 21	2.0 %	$ —	$ —	$ 21	1.9 %
Legal contingency and settlement **(h)**	(21)	(2.0)%	—	—	(21)	(1.9)%
Non-GAAP legal contingency and settlement	$ —	—	$ —	$ —	$ —	—
GAAP operating profit (loss)	$ 70	6.6 %	$ (197)	$ —	$ (127)	(11.7)%
Cost of revenue	15	1.4 %	34	—	49	4.5 %
R&D costs	7	0.6 %	—	—	7	0.6 %
SG&A costs	77	7.2 %	4	—	81	7.6 %
Legal contingency and settlement	21	2.0 %	—	—	21	1.9 %
Non-GAAP operating profit (loss) **(a)**	$ 190	17.8 %	$ (159)	$ —	$ 31	2.9 %
GAAP other (expense) income, net	$ (42)	(3.9)%	$ 1	$ —	$ (41)	(3.8)%
Strategic investment related loss, net **(e)**	42	3.9 %	—	—	42	3.9 %
Gain on Helix contingent value right **(f)**	(1)	(0.1)%	—	—	(1)	(0.1)%
Non-GAAP other (expense) income, net **(a)**	$ (1)	(0.1)%	$ 1	$ —	$ —	—

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:

	Year Ended December 31, 2023					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$2,856	64.4 %	$ (96)	$ (16)	$ 2,744	60.9 %
Amortization of acquired intangible assets	57	1.3 %	134	—	191	4.3 %
Restructuring **(g)**	5	0.1 %	—	—	5	0.1 %
Non-GAAP gross profit **(a)**	$2,918	65.8 %	$ 38	$ (16)	$ 2,940	65.3 %
GAAP R&D expense	$1,030	23.2 %	$ 338	$ (14)	$ 1,354	30.1 %
Acquisition-related expenses **(d)**	(2)	—	—	—	(2)	—
Restructuring **(g)**	(27)	(0.6)%	—	—	(27)	(0.7)%
Non-GAAP R&D expense	$1,001	22.6 %	$ 338	$ (14)	$ 1,325	29.4 %
GAAP SG&A expense	$1,248	28.1 %	$ 366	$ (2)	$ 1,612	35.8 %
Amortization of acquired intangible assets	(1)	—	(4)	—	(5)	(0.1)%
Contingent consideration liabilities **(c)**	24	0.5 %	—	—	24	0.5 %
Acquisition-related expenses **(d)**	(88)	(1.9)%	(21)	—	(109)	(2.4)%
Restructuring **(g)**	(119)	(2.7)%	(4)	—	(123)	(2.7)%
Proxy contest	(32)	(0.7)%	—	—	(32)	(0.7)%
Non-GAAP SG&A expense	$1,032	23.3 %	$ 337	$ (2)	$ 1,367	30.4 %
GAAP goodwill and intangible impairment	$ 6	0.1 %	$ 821	$ —	$ 827	18.3 %
Goodwill impairment **(i)**	—	—	(712)	—	(712)	(15.7)%
Intangible (IPR&D) impairment **(i)**	(6)	(0.1)%	(109)	—	(115)	(2.6)%
Non-GAAP goodwill and intangible impairment	$ —	—	$ —	$ —	$ —	—
GAAP legal contingency and settlement	$ 20	0.4 %	$ —	$ —	$ 20	0.4 %
Legal contingency and settlement **(h)**	(20)	(0.4)%	—	—	(20)	(0.4)%
Non-GAAP legal contingency and settlement	$ —	—	$ —	$ —	$ —	—
GAAP operating profit (loss)	$ 552	12.4 %	$ (1,621)	$ —	$(1,069)	(23.7)%
Cost of revenue	62	1.5 %	134	—	196	4.4 %
R&D costs	29	0.6 %	—	—	29	0.7 %
SG&A costs	216	4.9 %	28	—	244	5.4 %
Goodwill and intangible impairment	6	0.1 %	821	—	827	18.3 %
Legal contingency and settlement	20	0.4 %	—	—	20	0.4 %
Non-GAAP operating profit (loss) **(a)**	$ 885	19.9 %	$ (638)	$ —	$ 247	5.5 %
GAAP other (expense) income, net	$ (58)	(1.3)%	$ 10	$ —	$ (48)	(1.1)%
Strategic investment related loss, net **(e)**	35	0.8 %	—	—	35	0.8 %
Gain on Helix contingent value right **(f)**	(10)	(0.2)%	—	—	(10)	(0.2)%
Unrealized foreign currency loss on EC fine **(j)**	11	0.2 %	—	—	11	0.2 %
Non-GAAP other (expense) income, net **(a)**	$ (22)	(0.5)%	$ 10	$ —	$ (12)	(0.3)%

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:

	Year Ended					
	January 1, 2023					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$3,107	68.2 %	$ (117)	$ (18)	$2,972	64.8 %
Amortization of acquired intangible assets	38	0.9 %	134	—	172	3.8 %
Restructuring **(g)**	1	—	—	—	1	—
Non-GAAP gross profit **(a)**	$3,146	69.1 %	$ 17	$ (18)	$3,145	68.6 %
GAAP R&D expense	$1,004	22.0 %	$ 330	$ (13)	$1,321	28.8 %
Acquisition-related expenses **(d)**	(2)	—	—	—	(2)	—
Restructuring **(g)**	(6)	(0.1)%	—	—	(6)	(0.2)%
Non-GAAP R&D expense	$ 996	21.9 %	$ 330	$ (13)	$1,313	28.6 %
GAAP SG&A expense	$1,003	22.0 %	$ 296	$ (2)	$1,297	28.3 %
Amortization of acquired intangible assets	(1)	—	(4)	—	(5)	(0.1)%
Contingent consideration liabilities **(c)**	205	4.5 %	—	—	205	4.5 %
Acquisition-related expenses **(d)**	(114)	(2.5)%	(13)	—	(127)	(2.8)%
Restructuring **(g)**	(24)	(0.5)%	—	—	(24)	(0.5)%
Non-GAAP SG&A expense	$1,069	23.5 %	$ 279	$ (2)	$1,346	29.4 %
GAAP legal contingency and settlement	$ 619	13.6 %	$ —	$ —	$ 619	13.5 %
Legal contingency and settlement **(h)**	(619)	(13.6)%	—	—	(619)	(13.5)%
Non-GAAP legal contingency and settlement	$ —	—	$ —	$ —	$ —	—
GAAP goodwill and intangible impairment	$ —	—	$3,914	$ —	$3,914	85.4 %
Goodwill impairment **(i)**	—	—	(3,914)	—	(3,914)	(85.4)%
Non-GAAP goodwill and intangible impairment	$ —	—	$ —	$ —	$ —	—
GAAP operating profit (loss)	$ 481	10.6 %	$(4,657)	$ (3)	$(4,179	(91.2)%
Cost of revenue	39	0.9 %	134	—	173	3.8 %
R&D costs	8	0.1 %	—	—	8	0.2 %
SG&A costs	(66)	(1.4)%	17	—	(48)	(1.1)%
Legal contingency and settlement	619	13.6 %	—	—	619	13.5 %
Goodwill impairment	—	—	3,914	—	3,914	85.4 %
Non-GAAP operating profit (loss) **(a)**	$1,081	23.8 %	$ (592)	$ (3)	$ 487	10.6 %
GAAP other (expense) income, net	$ (159)	(3.5)%	$ 2	$ —	$ (157)	(3.4)%
Strategic investment related loss, net **(e)**	117	2.6 %	—	—	117	2.5 %
Loss on Helix contingent value right **(f)**	7	0.1 %	—	—	7	0.2 %
Non-GAAP other (expense) income, net **(a)**	$ (35)	(0.8)%	$ 2	$ —	$ (33)	(0.7)%

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 GRAIL.
(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 lease and other asset impairments and employee severance costs related to restructuring activities.
(h) Amount for Q4 2023 consists primarily of accrued interest on the fine imposed by the European Commission. Amount for FY 2023 also consists of a loss related to a patent litigation settlement in Q1 2023, an adjustment recorded in Q2 2023 to our accrual for the fine imposed by the European Commission in July 2023, and a gain related to a patent litigation settlement in Q3 2023. Amount for Q4 2022 consists of a legal accrual related to our litigation with RavGen and an adjustment made to our previously recorded legal accrual for the fine that the European Commission imposed on us. Amount for FY 2022 also consists of expense of $145 million related to the settlement of our litigation with BGI.
(i) Amount for Q4 2023 consists of an IPR&D intangible asset impairment related to our Core Illumina segment. Amount for FY 2023 also consists of goodwill and IPR&D intangible asset impairments related to our GRAIL segment. Amount for FY 2022 consists of goodwill impairment related to our GRAIL segment.
(j) Amounts consist of unrealized gains/losses related to foreign currency balance sheet remeasurement of the EC fine liability and unrealized mark-to-market gains/losses on the hedge associated with the EC fine.

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(unaudited)

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

	Three Months Ended December 31, 2023			Year Ended December 31, 2023		
GAAP tax provision	**$**	**8**	**(4.9)%**	**$**	**44**	**(3.9)%**
Incremental non-GAAP tax expense **(b)**		**44**			**152**	
Income tax provision **(c)**		**(28)**			**(37)**	
GILTI and U.S. foreign tax credits **(d)**		**2**			**(61)**	
Non-GAAP tax provision **(a)**	**$**	**26**	**55.4 %**	**$**	**98**	**41.8 %**

	Three Months Ended January 1, 2023			Year Ended January 1, 2023		
GAAP tax (benefit) provision	$	(28)	16.8 %	$	68	(1.6)%
Incremental non-GAAP tax expense **(b)**		51			129	
Income tax provision **(c)**		(15)			(19)	
GILTI and U.S. foreign tax credits **(d)**		1			(60)	
Non-GAAP tax provision **(a)**	$	9	29.3 %	$	118	26.0 %

(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.