

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

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended June 28, 2020

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _____ to _____

Commission File Number 001-35406



Illumina, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

33-0804655

(I.R.S. Employer Identification No.)

5200 Illumina Way, San Diego, CA 92122

(Address of principal executive offices) (Zip code)

(858) 202-4500

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	ILMN	The NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13a of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 31, 2020, there were 146 million shares of the registrant's common stock outstanding.

ILLUMINA, INC.
FORM 10-Q
FOR THE FISCAL QUARTER ENDED JUNE 28, 2020
TABLE OF CONTENTS

See "Form 10-Q Cross-Reference Index" within Other Key Information for a cross-reference to the parts and items requirements of the Securities and Exchange Commission Quarterly Report on Form 10-Q.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	PAGE
Condensed Consolidated Balance Sheets	5
Condensed Consolidated Statements of Income	6
Condensed Consolidated Statements of Comprehensive Income	7
Condensed Consolidated Statement of Stockholders' Equity	8
Condensed Consolidated Statements of Cash Flows	10
Notes to Condensed Consolidated Financial Statements	11
1. Organization and Significant Accounting Policies	11
2. Revenue	12
3. Investments and Fair Value Measurements	14
4. Debt	17
5. Stockholders' Equity	18
6. Supplemental Balance Sheet Details	20
7. Legal Proceedings	22
8. Income Taxes	22
9. Segment Information	22
MANAGEMENT'S DISCUSSION & ANALYSIS	
Management's Overview and Outlook	24
Results of Operations	26
Liquidity and Capital Resources	29
Critical Accounting Policies and Estimates	31
Recent Accounting Pronouncements	31
Off-Balance Sheet Arrangements	31
Quantitative and Qualitative Disclosures About Market Risk	32
OTHER KEY INFORMATION	
Controls and Procedures	32
Legal Proceedings	33
Risk Factors	33
Share Repurchases and Sales	33
Exhibits	34
Form 10-Q Cross-Reference Index	35

Consideration Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains, and our officers and representatives may from time to time make, “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: “anticipate,” “intend,” “plan,” “goal,” “seek,” “believe,” “continue,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “potential,” “predict,” “should,” “will,” or similar words or phrases, or the negatives of these words, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward looking. Examples of forward-looking statements include, among others, statements we make regarding:

- our expectations as to our future financial performance, results of operations, or other operational results or metrics;
- our expectations regarding the launch of new products or services;
- the benefits that we expect will result from our business activities and certain transactions we have completed, such as product introductions, increased revenue, decreased expenses, and avoided expenses and expenditures;
- our expectations of the effect on our financial condition of claims, litigation, contingent liabilities, and governmental investigations, proceedings, and regulations;
- our strategies or expectations for product development, market position, financial results, and reserves;
- our expectations regarding the integration of any acquired technologies with our existing technology; and
- other expectations, beliefs, plans, strategies, anticipated developments, and other matters that are not historical facts.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- the impact to our business and operating results caused by the COVID-19 pandemic;
- our expectations and beliefs regarding prospects and growth for our business and the markets in which we operate;
- the timing and mix of customer orders among our products and services;
- challenges inherent in developing, manufacturing, and launching new products and services, including expanding manufacturing operations and reliance on third-party suppliers for critical components;
- the impact of recently launched or pre-announced products and services on existing products and services;
- our ability to develop and commercialize our instruments and consumables, to deploy new products, services, and applications, and to expand the markets for our technology platforms;
- our ability to manufacture robust instrumentation and consumables;
- our ability to identify and integrate acquired technologies, products, or businesses successfully;
- the assumptions underlying our critical accounting policies and estimates;
- our assessments and estimates that determine our effective tax rate;
- our assessments and beliefs regarding the outcome of pending legal proceedings and any liability, that we may incur as a result of those proceedings;
- uncertainty, or adverse economic and business conditions, including as a result of slowing or uncertain economic growth in the United States or worldwide; and

- other factors detailed in our filings with the SEC, including the risks, uncertainties, and assumptions described in “Risk Factors” within the Business and Market Information section of our Annual Report on Form [10-K](#) for the fiscal year ended December 29, 2019, or in information disclosed in public conference calls, the date and time of which are released beforehand.

The foregoing factors should be considered 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 publicly update any forward-looking statement, whether written or oral, that may be made from time to time, or to review or confirm analysts' expectations, or to provide interim reports or updates on the progress of any current financial quarter, in each case whether as a result of new information, future developments, or otherwise.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ILLUMINA, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (In millions)

	June 28, 2020 (Unaudited)	December 29, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,770	\$ 2,042
Short-term investments	1,498	1,372
Accounts receivable, net	385	573
Inventory	435	359
Prepaid expenses and other current assets	106	105
Total current assets	4,194	4,451
Property and equipment, net	890	889
Operating lease right-of-use assets	549	555
Goodwill	894	824
Intangible assets, net	156	145
Deferred tax assets, net	13	64
Other assets	552	388
Total assets	\$ 7,248	\$ 7,316
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 135	\$ 149
Accrued liabilities	477	516
Long-term debt, current portion	503	—
Total current liabilities	1,115	665
Operating lease liabilities	681	695
Long-term debt	659	1,141
Other long-term liabilities	230	202
Stockholders' equity:		
Common stock	2	2
Additional paid-in capital	3,649	3,560
Accumulated other comprehensive income	14	5
Retained earnings	4,287	4,067
Treasury stock, at cost	(3,389)	(3,021)
Total stockholders' equity	4,563	4,613
Total liabilities and stockholders' equity	\$ 7,248	\$ 7,316

See accompanying notes to condensed consolidated financial statements.

ILLUMINA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Revenue:				
Product revenue	\$ 527	\$ 704	\$ 1,228	\$ 1,372
Service and other revenue	106	134	264	312
Total revenue	633	838	1,492	1,684
Cost of revenue:				
Cost of product revenue	152	196	326	378
Cost of service and other revenue	46	59	105	130
Amortization of acquired intangible assets	7	10	14	19
Total cost of revenue	205	265	445	527
Gross profit	428	573	1,047	1,157
Operating expense:				
Research and development	155	166	311	335
Selling, general and administrative	177	202	451	412
Total operating expense	332	368	762	747
Income from operations	96	205	285	410
Other income (expense):				
Interest income	7	20	21	43
Interest expense	(11)	(15)	(22)	(30)
Other income, net	73	136	58	157
Total other income, net	69	141	57	170
Income before income taxes	165	346	342	580
Provision for income taxes	118	53	122	63
Consolidated net income	47	293	220	517
Add: Net loss attributable to noncontrolling interests	—	3	—	12
Net income attributable to Illumina stockholders	\$ 47	\$ 296	\$ 220	\$ 529
Earnings per share attributable to Illumina stockholders:				
Basic	\$ 0.32	\$ 2.01	\$ 1.50	\$ 3.60
Diluted	\$ 0.32	\$ 1.99	\$ 1.49	\$ 3.56
Shares used in computing earnings per share:				
Basic	147	147	147	147
Diluted	148	149	148	149

See accompanying notes to condensed consolidated financial statements.

ILLUMINA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In millions)

	Three Months Ended		Six Months Ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Consolidated net income	\$ 47	\$ 293	\$ 220	\$ 517
Unrealized gain on available-for-sale debt securities, net of deferred tax	8	3	9	6
Total consolidated comprehensive income	55	296	229	523
Add: Comprehensive loss attributable to noncontrolling interests	—	3	—	12
Comprehensive income attributable to Illumina stockholders	\$ 55	\$ 299	\$ 229	\$ 535

See accompanying notes to condensed consolidated financial statements.

ILLUMINA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(In millions)

	Illumina Stockholders								
	Common Stock		Additional	Accumulated	Retained	Treasury Stock		Noncontrolling	Total
	Shares	Amount	Paid-In	Comprehensive	Earnings	Shares	Amount	Interests	Stockholders'
			Capital	(Loss) Income					Equity
Balance as of December 30, 2018	192	\$ 2	\$ 3,290	\$ (1)	\$ 3,083	(45)	\$ (2,616)	\$ 87	\$ 3,845
Net income (loss)	—	—	—	—	233	—	—	(2)	231
Unrealized gain on available-for-sale debt securities, net of deferred tax	—	—	—	3	—	—	—	—	3
Issuance of common stock, net of repurchases	—	—	27	—	—	—	(86)	—	(59)
Share-based compensation	—	—	51	—	—	—	—	—	51
Cumulative-effect adjustment from adoption of ASU 2016-02, net of deferred tax	—	—	—	—	(18)	—	—	—	(18)
Vesting of redeemable equity awards	—	—	(1)	—	—	—	—	—	(1)
Adjustment to the carrying value of redeemable noncontrolling interests	—	—	18	—	—	—	—	—	18
Balance as of March 31, 2019	192	2	3,385	2	3,298	(45)	(2,702)	85	4,070
Net income (loss)	—	—	—	—	296	—	—	(1)	295
Unrealized gain on available-for-sale debt securities, net of deferred tax	—	—	—	3	—	—	—	—	3
Issuance of common stock, net of repurchases	1	—	3	—	—	—	(3)	—	—
Share-based compensation	—	—	48	—	—	—	—	—	48
Adjustment to the carrying value of redeemable noncontrolling interests	—	—	(2)	—	—	—	—	—	(2)
Deconsolidation of Helix	—	—	2	—	—	—	—	(84)	(82)
Balance as of June 30, 2019	193	2	3,436	5	3,594	(45)	(2,705)	—	4,332
Net income	—	—	—	—	234	—	—	—	234
Issuance of common stock, net of repurchases	—	—	29	—	—	(1)	(201)	—	(172)
Share-based compensation	—	—	45	—	—	—	—	—	45
Balance as of September 29, 2019	193	2	3,510	5	3,828	(46)	(2,906)	—	4,439
Net income	—	—	—	—	239	—	—	—	239
Issuance of common stock, net of repurchases	1	—	—	—	—	(1)	(115)	—	(115)
Share-based compensation	—	—	50	—	—	—	—	—	50
Balance as of December 29, 2019	194	2	3,560	5	4,067	(47)	(3,021)	—	4,613
Net income	—	—	—	—	173	—	—	—	173
Unrealized gain on available-for-sale debt securities, net of deferred tax	—	—	—	1	—	—	—	—	1
Issuance of common stock, net of repurchases	—	—	32	—	—	—	(223)	—	(191)
Share-based compensation	—	—	39	—	—	—	—	—	39
Balance as of March 29, 2020	194	2	3,631	6	4,240	(47)	(3,244)	—	4,635
Net income	—	—	—	—	47	—	—	—	47
Unrealized gain on available-for-sale debt securities, net of deferred tax	—	—	—	8	—	—	—	—	8

Issuance of common stock, net of repurchases	—	—	2	—	—	(1)	(145)	—	(143)
Share-based compensation	—	—	16	—	—	—	—	—	16
Balance as of June 28, 2020	<u>194</u>	<u>\$ 2</u>	<u>\$ 3,649</u>	<u>\$ 14</u>	<u>\$ 4,287</u>	<u>(48)</u>	<u>\$ (3,389)</u>	<u>\$ —</u>	<u>\$ 4,563</u>

See accompanying notes to condensed consolidated financial statements.

ILLUMINA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	Six Months Ended	
	June 28, 2020	June 30, 2019
Cash flows from operating activities:		
Consolidated net income	\$ 220	\$ 517
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	75	76
Amortization of intangible assets	15	20
Share-based compensation expense	55	99
Accretion of debt discount	19	27
Deferred income taxes	47	6
Unrealized gains on marketable equity securities	(69)	(104)
Payment of accreted debt discount	—	(84)
Gains on deconsolidation	—	(54)
Loss on derivative assets related to terminated acquisition	107	—
Other	(12)	(5)
Changes in operating assets and liabilities:		
Accounts receivable	190	46
Inventory	(75)	(36)
Prepaid expenses and other current assets	3	(11)
Operating lease right-of-use assets and liabilities, net	(7)	(3)
Other assets	(23)	(11)
Accounts payable	(13)	(43)
Accrued liabilities	(41)	(87)
Other long-term liabilities	30	(12)
Net cash provided by operating activities	521	341
Cash flows from investing activities:		
Maturities of available-for-sale securities	218	1,204
Purchases of available-for-sale securities	(547)	(393)
Sales of available-for-sale securities	287	386
Proceeds from the deconsolidation of GRAIL	—	15
Cash paid for derivative assets related to terminated acquisition	(132)	—
Purchases of property and equipment	(79)	(103)
Deconsolidation of Helix cash	—	(29)
Net purchases of strategic investments	(107)	(13)
Net cash paid for acquisition	(95)	—
Net cash (used in) provided by investing activities	(455)	1,067
Cash flows from financing activities:		
Payments on financing obligations	—	(550)
Common stock repurchases	(330)	(63)
Taxes paid related to net share settlement of equity awards	(38)	(26)
Proceeds from issuance of common stock	34	30
Net cash used in financing activities	(334)	(609)
Effect of exchange rate changes on cash and cash equivalents	(4)	—
Net (decrease) increase in cash and cash equivalents	(272)	799
Cash and cash equivalents at beginning of period	2,042	1,144
Cash and cash equivalents at end of period	\$ 1,770	\$ 1,943

See accompanying notes to condensed consolidated financial statements.

ILLUMINA, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Unless the context requires otherwise, references in this report to “Illumina,” “we,” “us,” the “Company,” and “our” refer to Illumina, Inc. and its consolidated subsidiaries.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Overview

We are a provider of sequencing- and array-based solutions, serving customers in the research, clinical and applied markets. Our products are used for applications in the life sciences, oncology, reproductive health, agriculture and other emerging segments. Our customers include leading genomic research centers, academic institutions, government laboratories, and hospitals, as well as pharmaceutical, biotechnology, commercial molecular diagnostic laboratories, and consumer genomics companies.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Interim financial results are not necessarily indicative of results anticipated for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Annual Report on Form [10-K](#) for the fiscal year ended December 29, 2019, from which the prior year balance sheet information herein was derived. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expense, and related disclosure of contingent assets and liabilities. Though the impact of the COVID-19 pandemic to our business and operating results presents additional uncertainty, we continue to use the best information available to inform our critical accounting estimates. Actual results could differ from those estimates.

The unaudited condensed consolidated financial statements include our accounts, our wholly-owned subsidiaries, majority-owned or controlled companies, and variable interest entities (VIEs) for which we are the primary beneficiary. All intercompany transactions and balances have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the current period presentation. In management's opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the results for the interim periods presented.

Fiscal Year

Our fiscal year is the 52 or 53 weeks ending the Sunday closest to December 31, with quarters of 13 or 14 weeks ending the Sunday closest to March 31, June 30, September 30, and December 31. References to Q2 2020 and Q2 2019 refer to the three months ended June 28, 2020 and June 30, 2019, respectively, which were both 13 weeks, and references to year-to-date (YTD) 2020 and 2019 refer to the six months ended June 28, 2020 and June 30, 2019, respectively, which were both 26 weeks.

Significant Accounting Policies

During the first half of 2020, there were no changes to our significant accounting policies as described in our Annual Report on Form [10-K](#) for the fiscal year ended December 29, 2019, except as described in Recently Adopted Accounting Pronouncements below.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including

trade receivables and available-for-sale debt securities. We adopted the standard on its effective date in the first quarter of 2020 using a modified retrospective approach. The cumulative effect of applying the new credit loss standard was not material and, therefore, did not result in an adjustment to retained earnings. There was no material difference to the condensed consolidated financial statements in YTD 2020 due to the adoption of ASU 2016-13.

In accordance with ASU 2016-13, we no longer evaluate whether our available-for-sale debt securities in an unrealized loss position are other than temporarily impaired. Instead, we assess whether such unrealized loss positions are credit-related. The credit-related portion of unrealized losses, and any subsequent improvements, are recorded in interest income through an allowance account. Unrealized gains and losses that are not credit-related are included in accumulated other comprehensive income (loss). We estimate our allowance for credit losses on our trade receivables as described in our Accounts Receivable policy, below.

Accounts Receivable

Trade accounts receivable are considered past due based on the contractual payment terms. We reserve specific receivables when collectibility is no longer probable. We also reserve a percentage of our trade receivable balance based on collection history and current economic trends that we expect will impact the level of credit losses over the life of our receivables. These reserves are re-evaluated on a regular basis and adjusted, as needed. Once a receivable is deemed to be uncollectible, such balance is charged against the reserve.

Earnings per Share

Basic earnings per share attributable to Illumina stockholders is computed based on the weighted average number of common shares outstanding during the period. Diluted earnings per share attributable to Illumina stockholders is computed based on the sum of the weighted average number of common shares and potentially dilutive common shares outstanding during the period. Up to April 25, 2019, the date of Helix Holdings I, LLC's (Helix) deconsolidation, per-share losses of Helix were included in the consolidated basic and diluted earnings per share computations based on our share of Helix's securities.

Potentially dilutive common shares consist of shares issuable under convertible senior notes and equity awards. Convertible senior notes have a dilutive impact when the average market price of our common stock exceeds the applicable conversion price of the respective notes. Potentially dilutive common shares from equity awards are determined using the average share price for each period under the treasury stock method. In addition, proceeds from exercise of equity awards and the average amount of unrecognized compensation expense for equity awards are assumed to be used to repurchase shares.

The following table presents the calculation of weighted average shares used to calculate basic and diluted earnings per share:

<i>In millions</i>	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Weighted average shares outstanding	147	147	147	147
Effect of potentially dilutive common shares from:				
Equity awards	1	1	1	1
Convertible senior notes	—	1	—	1
Weighted average shares used in calculating diluted earnings per share	148	149	148	149
Potentially dilutive shares excluded from calculation due to anti-dilutive effect	—	—	1	—

2. REVENUE

Our revenue is generated primarily from the sale of products and services. Product revenue primarily consists of sales of instruments and consumables used in genetic analysis. Service and other revenue primarily consists of revenue generated from genotyping and sequencing services, instrument service contracts, and development and licensing agreements.

Revenue by Source

<i>In millions</i>	Q2 2020			Q2 2019		
	Sequencing	Microarray	Total	Sequencing	Microarray	Total
Consumables	\$ 387	\$ 49	\$ 436	\$ 497	\$ 74	\$ 571
Instruments	88	3	91	129	4	133
Total product revenue	475	52	527	626	78	704
Service and other revenue	91	15	106	102	32	134
Total revenue	\$ 566	\$ 67	\$ 633	\$ 728	\$ 110	\$ 838

<i>In millions</i>	YTD 2020			YTD 2019		
	Sequencing	Microarray	Total	Sequencing	Microarray	Total
Consumables	\$ 940	\$ 116	\$ 1,056	\$ 978	\$ 149	\$ 1,127
Instruments	166	6	172	234	11	245
Total product revenue	1,106	122	1,228	1,212	160	1,372
Service and other revenue	219	45	264	215	97	312
Total revenue	\$ 1,325	\$ 167	\$ 1,492	\$ 1,427	\$ 257	\$ 1,684

Revenue by Geographic Area

<i>Based on region of destination (in millions)</i>	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Americas	\$ 335	\$ 476	\$ 812	\$ 949
Europe, Middle East, and Africa	168	208	389	418
Greater China (1)	79	97	163	185
Asia-Pacific	51	57	128	132
Total revenue	\$ 633	\$ 838	\$ 1,492	\$ 1,684

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

Performance Obligations

We regularly enter into contracts with multiple performance obligations. Most performance obligations are generally satisfied within a short time frame, approximately three to six months, after the contract execution date. As of June 28, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was \$784 million, of which approximately 85% is expected to be converted to revenue in the next twelve months, and the remainder thereafter.

Contract Liabilities

Contract liabilities, which consist of deferred revenue and customer deposits, as of June 28, 2020 and December 29, 2019 were \$196 million and \$209 million, respectively, of which the short-term portions of \$153 million and \$167 million, respectively, were recorded in accrued liabilities and the remaining long-term portions were recorded in other long-term liabilities. Revenue recorded in Q2 2020 and YTD 2020 included \$38 million and \$106 million, respectively, of previously deferred revenue that was included in contract liabilities as of December 29, 2019.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Debt Securities

Our short-term investments are primarily available-for-sale debt securities that consisted of the following:

	June 28, 2020			December 29, 2019		
	Amortized Cost	Gross Unrealized Gains	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Estimated Fair Value
<i>In millions</i>						
Debt securities in government-sponsored entities	\$ 50	\$ —	\$ 50	\$ 18	\$ —	\$ 18
Corporate debt securities	598	9	607	627	3	630
U.S. Treasury securities	656	9	665	616	2	618
Total	<u>\$ 1,304</u>	<u>\$ 18</u>	<u>\$ 1,322</u>	<u>\$ 1,261</u>	<u>\$ 5</u>	<u>\$ 1,266</u>

Realized gains and losses are determined based on the specific-identification method and are reported in interest income.

Contractual maturities of available-for-sale debt securities, as of June 28, 2020, were as follows:

<i>In millions</i>	Estimated Fair Value
Due within one year	\$ 525
After one but within five years	797
Total	<u>\$ 1,322</u>

We have the ability, if necessary, to liquidate any of our cash equivalents and short-term investments to meet our liquidity needs in the next 12 months. Accordingly, those investments with contractual maturities greater than one year from the date of purchase are classified as short-term on the accompanying condensed consolidated balance sheets.

Strategic Investments

Marketable Equity Securities

As of June 28, 2020 and December 29, 2019, the fair value of our marketable equity securities, included in short-term investments, totaled \$176 million and \$106 million, respectively. Total unrealized gains on our marketable equity securities, included in other income, net, were \$66 million and \$69 million in Q2 2020 and YTD 2020, respectively, and \$102 million and \$104 million in Q2 2019 and YTD 2019, respectively.

Non-Marketable Equity Securities

As of June 28, 2020 and December 29, 2019, the aggregate carrying amounts of our non-marketable equity securities without readily determinable fair values, included in other assets, were \$305 million and \$220 million, respectively.

One of our investments is a VIE for which we have concluded that we are not the primary beneficiary, and therefore, we do not consolidate this VIE in our consolidated financial statements. We have determined our maximum exposure to loss, as a result of our involvement with the VIE, to be the carrying value of our investment, which was \$250 million and \$190 million as of June 28, 2020 and December 29, 2019, respectively, recorded in other assets. During Q2 2020, we made an additional \$60 million investment in this VIE.

Revenue recognized from transactions with our strategic investees was \$10 million and \$23 million for Q2 2020 and YTD 2020, respectively, and \$18 million and \$34 million for Q2 2019 and YTD 2019, respectively.

Venture Funds

We invest in two venture capital investment funds (the Funds) with capital commitments of \$100 million, callable through April 2026, and up to \$160 million, callable through July 2029, respectively, of which \$44 million and up to \$143 million, respectively, remained callable as of June 28, 2020. Our investments in the Funds are accounted for as equity-method investments. The aggregate carrying amounts of the Funds, included in other assets, were \$79 million and \$53 million as of June 28, 2020 and December 29, 2019, respectively.

Previously Consolidated Variable Interest Entity

Helix Holdings I, LLC (Helix)

In July 2015, we obtained a 50% voting equity ownership interest in Helix. At that time, we determined that we had unilateral power over one of the activities that most significantly impacts the economic performance of Helix through its contractual arrangements and, as a result, we were deemed to be the primary beneficiary of Helix and were required to consolidate Helix. The operations of Helix are included in the accompanying condensed consolidated statements of income for Q2 2019 and the first half of 2019, up to the date of the deconsolidation, described below. During this period, we absorbed 50% of Helix's losses.

On April 25, 2019, we entered into an agreement to sell our interest in, and relinquish control over, Helix. As part of the agreement, (i) Helix repurchased all of our outstanding equity interests in exchange for a contingent value right with a 7-year term that entitles us to consideration dependent upon the outcome of Helix's future financing and/or liquidity events, (ii) we ceased having a controlling financial interest in Helix, including unilateral power over one of the activities that most significantly impacts the economic performance of Helix, (iii) we were relieved of any potential obligation to redeem certain noncontrolling interests, and (iv) we no longer have representation on Helix's board of directors. As a result, we deconsolidated Helix's financial statements effective April 25, 2019 and recorded a gain on deconsolidation of \$39 million in other income, net. The gain on deconsolidation included (i) the contingent value right received from Helix recorded at a fair value of approximately \$30 million, (ii) the derecognition of the carrying amounts of Helix's assets and liabilities, and (iii) the derecognition of the noncontrolling interests related to Helix.

During Q2 2020 and YTD 2020, changes in the fair value of the contingent value right resulted in unrealized gains of \$8 million and \$5 million, respectively, included in other income, net. During Q2 2019, such changes resulted in an unrealized loss of \$3 million.

Derivative Assets Related to Terminated Acquisition

On November 1, 2018, we entered into an Agreement and Plan of Merger (the [Merger Agreement](#)) to acquire Pacific Biosciences of California, Inc. (PacBio) for an all-cash price of approximately \$1.2 billion (or \$8.00 per share). On January 2, 2020, we entered into an agreement to terminate the Merger Agreement (the [Termination Agreement](#)). Pursuant to the Termination Agreement, we made a cash payment to PacBio of \$98 million on January 2, 2020, which represented the Reverse Termination Fee (as defined in the Merger Agreement). The Reverse Termination Fee is repayable, without interest, to us if PacBio enters into a definitive agreement providing for, or consummates, a Change of Control Transaction by September 30, 2020 (as defined in the Termination Agreement), and such transaction is consummated by the two-year anniversary of the execution of the definitive agreement for such Change of Control Transaction. In addition, we made cash payments to PacBio of \$18 million in Q4 2019, pursuant to [Amendment No. 1 to the Merger Agreement](#), and \$34 million in Q1 2020, pursuant to the Termination Agreement, collectively referred to as the Continuation Advances. Up to the \$52 million of Continuation Advances is repayable without interest to us if, within two years of March 31, 2020, PacBio enters into a Change of Control Transaction or raises at least \$100 million in equity or debt financing in a single transaction (with the amount repayable dependent on the amount raised by PacBio).

The potential repayments of the Continuation Advances and Reverse Termination Fee meet the definition of derivative assets and are recorded at fair value. The \$92 million difference between the \$132 million in cash paid during Q1 2020 for the Continuation Advances and Reverse Termination Fee and the \$40 million fair value of these derivative assets on the payment dates was recorded as selling, general and administrative expenses. Changes in the fair value of the derivative assets are included in other income, net, and totaled \$11 million and \$15 million in unrealized losses in Q2 2020 and YTD 2020, respectively.

Fair Value Measurements

The following table presents the hierarchy for assets and liabilities measured at fair value on a recurring basis:

<i>In millions</i>	June 28, 2020				December 29, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Money market funds (cash equivalents)	\$ 1,468	\$ —	\$ —	\$ 1,468	\$ 1,732	\$ —	\$ —	\$ 1,732
Debt securities in government-sponsored entities	—	50	—	50	—	18	—	18
Corporate debt securities	—	607	—	607	—	630	—	630
U.S. Treasury securities	665	—	—	665	618	—	—	618
Marketable equity securities	176	—	—	176	106	—	—	106
Contingent value right	—	—	33	33	—	—	29	29
Derivative assets related to terminated acquisition	—	—	36	36	—	—	10	10
Deferred compensation plan assets	—	48	—	48	—	48	—	48
Total assets measured at fair value	\$ 2,309	\$ 705	\$ 69	\$ 3,083	\$ 2,456	\$ 696	\$ 39	\$ 3,191
Liabilities:								
Deferred compensation plan liability	\$ —	\$ 46	\$ —	\$ 46	\$ —	\$ 46	\$ —	\$ 46

Our available-for-sale securities consist of highly-liquid, investment-grade debt securities and marketable equity securities. We consider information provided by our investment accounting and reporting service provider in the measurement of fair value of our debt securities. The investment service provider provides valuation information from an industry-recognized valuation service. Such valuations may be based on trade prices in active markets for identical assets or liabilities (Level 1 inputs) or valuation models using inputs that are observable either directly or indirectly (Level 2 inputs), such as quoted prices for similar assets or liabilities, yield curve, volatility factors, credit spreads, default rates, loss severity, current market and contractual prices for the underlying instruments or debt, broker and dealer quotes, as well as other relevant economic measures. Our marketable equity securities are measured at fair value based on quoted trade prices in active markets. Our deferred compensation plan assets consist primarily of investments in life insurance contracts carried at cash surrender value, which reflects the net asset value of the underlying publicly traded mutual funds. We perform control procedures to corroborate the fair value of our holdings, including comparing valuations obtained from our investment service provider to valuations reported by our asset custodians, validating pricing sources and models, and reviewing key model inputs, if necessary. We elected the fair value option to measure the contingent value right received from Helix. The fair value of our contingent value right, included in other assets, is derived using a Monte Carlo simulation. The derivative assets related to the terminated acquisition of PacBio are financial instruments measured at fair value, included in other assets. Significant estimates and assumptions required for these valuations include, but are not limited to, probabilities related to the timing and outcome of future financing and/or liquidity events and an assumption regarding collectibility. These unobservable inputs represent a Level 3 measurement because they are supported by little or no market activity and reflect our own assumptions in measuring fair value.

4. DEBT

Summary of debt obligations

<i>In millions</i>	June 28, 2020	December 29, 2019
Principal amount of 2023 Notes outstanding	\$ 750	\$ 750
Principal amount of 2021 Notes outstanding	517	517
Unamortized discount of liability component of convertible senior notes	(105)	(126)
Net carrying amount of liability component of convertible senior notes	1,162	1,141
Less: current portion	(503)	—
Long-term debt	\$ 659	\$ 1,141
Carrying value of equity component of convertible senior notes, net of debt issuance costs	\$ 213	\$ 213
Fair value of convertible senior notes outstanding (Level 2)	\$ 1,563	\$ 1,549
Weighted-average remaining amortization period of discount on the liability component of convertible senior notes	2.8 years	3.2 years

0% Convertible Senior Notes due 2023 (2023 Notes)

On August 21, 2018, we issued \$750 million aggregate principal amount of convertible senior notes due 2023 (2023 Notes). The 2023 Notes mature on August 15, 2023, and the implied estimated effective rate of the liability component of the Notes was 3.7%, assuming no conversion option.

The 2023 Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, based on an initial conversion rate, subject to adjustment, of 2.1845 shares of common stock per \$1,000 principal amount of notes (which represents an initial conversion price of approximately \$457.77 per share of common stock), only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2018 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price in effect on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the “measurement period”) in which the trading price per \$1,000 principal amount of 2023 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; (3) if we call any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events described in the indenture. Regardless of the foregoing circumstances, the holders may convert their notes on or after May 15, 2023 until August 11, 2023.

We may redeem for cash all or any portion of the 2023 Notes, at our option, on or after August 20, 2021 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect (currently \$595.10) for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus any accrued and unpaid special interest to, but excluding, the redemption date.

The 2023 Notes were not convertible as of June 28, 2020 and had no dilutive impact during YTD 2020. If the 2023 Notes were converted as of June 28, 2020, the if-converted value would not exceed the principal amount.

0.5% Convertible Senior Notes due 2021 (2021 Notes)

In June 2014, we issued \$517 million aggregate principal amount of 2021 Notes. The 2021 Notes mature on June 15, 2021, and the implied estimated effective rates of the liability component of the Notes was 3.5%, assuming no conversion option.

The 2021 Notes will be convertible into cash, shares of common stock, or a combination of cash and shares of common stock, at our election, based on an initial conversion rate, subject to adjustment, of 3.9318 shares per \$1,000 principal amount of the notes (which represents an initial conversion price of approximately \$254.34 per share), only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending September 30, 2014 (and only during such calendar quarter), if the last reported sale price of our common stock for 20 or more trading days in the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the applicable conversion price in effect on the last trading day of the immediately preceding calendar quarter; (2) during the 5 business day period after any 10 consecutive trading day period (the “measurement period”) in which the trading price per 2021 Notes for each day of such measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or (3) upon the occurrence of specified events described in the indenture for the 2021 Notes. Regardless of the foregoing circumstances, the holders of the 2021 Notes may convert their notes on or after March 15, 2021 until June 11, 2021.

The market price of our common stock met the stock trading price conversion requirement of \$330.64 and the 2021 Notes became convertible on July 1, 2020, and continue to be convertible through September 30, 2020. The potential dilutive impact of the 2021 Notes has been included in our calculation of diluted earnings per share for Q2 2020 and YTD 2020. If the 2021 Notes were converted as of June 28, 2020, the if-converted value would exceed the principal amount by \$211 million.

0% Convertible Senior Notes due 2019 (2019 Notes)

In June 2014, we issued \$633 million aggregate principal amount of 2019 Notes, and the implied estimated effective rate of the liability component was 2.9%. The 2019 Notes matured on June 15, 2019, and the excess of the conversion value over the principal amount was paid in 0.4 million shares of common stock.

5. STOCKHOLDERS' EQUITY

As of June 28, 2020, approximately 4.1 million shares remained available for future grants under the 2015 Stock Plan.

Restricted Stock

Restricted stock activity was as follows:

Units in thousands	Restricted Stock Units (RSU)	Performance Stock Units (PSU)(1)	Weighted-Average Grant Date Fair Value per Share	
			RSU	PSU
Outstanding at December 29, 2019	1,700	271	\$ 271.49	\$ 258.66
Awarded	208	(200)	\$ 292.92	\$ 257.76
Vested	(58)	—	\$ 218.61	—
Cancelled	(135)	(71)	\$ 264.36	\$ 261.19
Outstanding at June 28, 2020	1,715	—	\$ 276.43	—

(1) The number of units reflect the estimated number of shares to be issued at the end of the performance period. Awarded units are presented net of performance adjustments.

Stock Options

Stock option activity was as follows:

	Options (in thousands)	Weighted-Average Exercise Price
Outstanding at December 29, 2019	58	\$ 56.65
Exercised	(48)	\$ 56.33
Outstanding and exercisable at June 28, 2020	10	\$ 58.21

ESPP

The price at which common stock is purchased under the Employee Stock Purchase Plan (ESPP) is equal to 85% of the fair market value of the common stock on the first day of the offering period or purchase date, whichever is lower. During YTD 2020, approximately 0.1 million shares were issued under the ESPP. As of June 28, 2020, there were approximately 13.4 million shares available for issuance under the ESPP.

Share Repurchases

On February 5, 2020, our Board of Directors authorized a new share repurchase program, which supersedes all prior and available repurchase authorizations, to repurchase \$750 million of outstanding common stock. The repurchases may be completed under a 10b5-1 plan or at management's discretion. During YTD 2020, we repurchased 1.1 million shares for approximately \$330 million. Authorizations to repurchase approximately \$420 million of our common stock remained available as of June 28, 2020.

Share-based Compensation

Share-based compensation expense reported in our condensed consolidated statements of income was as follows:

<i>In millions</i>	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Cost of product revenue	\$ 3	\$ 5	\$ 7	\$ 10
Cost of service and other revenue	1	1	2	2
Research and development	12	16	27	34
Selling, general and administrative	1	26	19	53
Share-based compensation expense before taxes	17	48	55	99
Related income tax benefits	(6)	(11)	(15)	(21)
Share-based compensation expense, net of taxes	\$ 11	\$ 37	\$ 40	\$ 78

The assumptions used for the specified reporting periods and the resulting estimates of weighted-average fair value per share for stock purchased under the ESPP during YTD 2020 were as follows:

	Employee Stock Purchase Rights
Risk-free interest rate	1.46% - 2.56%
Expected volatility	30% - 37%
Expected term	0.5 - 1.0 year
Expected dividends	0 %
Weighted-average grant-date fair value per share	\$ 77.19

As of June 28, 2020, approximately \$378 million of total unrecognized compensation cost related to restricted stock and ESPP shares issued to date was expected to be recognized over a weighted-average period of approximately 2.4 years.

6. SUPPLEMENTAL BALANCE SHEET DETAILS

Accounts Receivable

<i>In millions</i>	June 28, 2020	December 29, 2019
Trade accounts receivable, gross	\$ 389	\$ 575
Allowance for credit losses	(4)	(2)
Total accounts receivable, net	\$ 385	\$ 573

Inventory

<i>In millions</i>	June 28, 2020	December 29, 2019
Raw materials	\$ 147	\$ 108
Work in process	261	225
Finished goods	27	26
Total inventory	\$ 435	\$ 359

Intangible Assets and Goodwill

We recorded a developed technology intangible asset of \$26 million, with a useful life of 10 years, as a result of an acquisition in Q2 2020.

Changes to goodwill during the first half of 2020 were as follows:

In millions

	Goodwill
Balance as of December 29, 2019	\$ 824
Acquisition	70
Balance as of June 28, 2020	\$ 894

Goodwill is reviewed for impairment at least annually during the second quarter, or more frequently if an event occurs indicating the potential for impairment. We performed our annual assessment for goodwill impairment in Q2 2020, noting no impairment.

Accrued Liabilities

<i>In millions</i>	June 28, 2020	December 29, 2019
Contract liabilities, current portion	\$ 153	\$ 167
Accrued compensation expenses	164	154
Accrued taxes payable	44	86
Operating lease liabilities, current portion	48	45
Other, including warranties (a)	68	64
Total accrued liabilities	\$ 477	\$ 516

(a) Changes in the reserve for product warranties were as follows:

<i>In millions</i>	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Balance at beginning of period	\$ 12	\$ 16	\$ 14	\$ 19
Additions charged to cost of product revenue	2	6	5	9
Repairs and replacements	(4)	(6)	(9)	(12)
Balance at end of period	\$ 10	\$ 16	\$ 10	\$ 16

We generally provide a one-year warranty on instruments. Additionally, we provide a warranty on consumables through the expiration date, which generally ranges from six to twelve months after the manufacture date. At the time revenue is recognized, an accrual is established for estimated warranty expenses based on historical experience as well as anticipated product performance. We periodically review the warranty reserve for adequacy and adjust the warranty accrual, if necessary, based on actual experience and estimated costs to be incurred. Warranty expense is recorded as a component of cost of product revenue.

Derivatives

We are exposed to foreign exchange rate risks in the normal course of business. We enter into foreign exchange contracts to manage foreign currency risks related to monetary assets and liabilities that are denominated in currencies other than the U.S. dollar. These foreign exchange contracts are carried at fair value in other current assets or accrued liabilities and are not designated as hedging instruments. Changes in the value of the derivatives are recognized in other income, net, along with the remeasurement gain or loss on the foreign currency denominated assets or liabilities.

As of June 28, 2020, we had foreign exchange forward contracts in place to hedge exposures in the euro, Japanese yen, Australian dollar, Canadian dollar, Singapore dollar, Chinese Yuan Renminbi, and British pound. As of June 28, 2020 and December 29, 2019, the total notional amounts of outstanding forward contracts in place for foreign currency purchases were \$321 million and \$252 million, respectively.

7. LEGAL PROCEEDINGS

We are involved in various lawsuits and claims arising in the ordinary course of business, including actions with respect to intellectual property, employment, and contractual matters. In connection with these matters, we assess, on a regular basis, the probability and range of possible loss based on the developments in these matters. A liability is recorded in the consolidated financial statements if it is believed to be probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Because litigation is inherently unpredictable and unfavorable resolutions could occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review outstanding legal matters to determine the adequacy of the liabilities accrued and related disclosures in consideration of many factors, which include, but are not limited to, past history, scientific and other evidence, and the specifics and status of each matter. We may change our estimates if our assessment of the various factors changes and the amount of ultimate loss may differ from our estimates, resulting in a material effect on our business, financial condition, results of operations, and/or cash flows.

8. INCOME TAXES

Our effective tax rate may vary from the U.S. federal statutory tax rate due to the change in the mix of earnings in tax jurisdictions with different statutory rates, benefits related to tax credits, and the tax impact of non-deductible expenses and other permanent differences between income before income taxes and taxable income. The effective tax rates for Q2 2020 and YTD 2020 were 71.6% and 35.7%, respectively. In Q2 2020, the increase from the U.S. federal statutory tax rate of 21% was primarily attributable to discrete tax expense of \$62 million related to the valuation allowance recorded against the deferred tax asset for California research and development credits, and discrete tax expense of \$28 million related to the finalization of the Altera court case which determined stock-based compensation must be included in intercompany cost sharing payments, partially offset by the mix of earnings in jurisdictions with lower statutory tax rates than the U.S. federal statutory tax rate, such as in Singapore and the United Kingdom. In YTD 2020, the increase from the U.S. federal statutory tax rate was primarily attributable to the items noted above for Q2 2020, partially offset by discrete tax benefits related to the derivative assets recorded as a result of the terminated PacBio acquisition and tax benefits related to share-based compensation.

9. SEGMENT INFORMATION

We have one reportable segment, Core Illumina, as of June 28, 2020, which relates to Illumina's core operations. Prior to the Helix deconsolidation on April 25, 2019, our reportable segments included both Core Illumina and Helix. See note ["3. Investments and Fair Value Measurements"](#) for further details.

Core Illumina:

Core Illumina's products and services serve customers in the research, clinical and applied markets, and enable the adoption of a variety of genomic solutions. Core Illumina includes all of our operations, excluding the results of our previously consolidated VIE, Helix.

Helix:

Helix was established to enable individuals to explore their genetic information by providing affordable sequencing and database services for consumers through third-party partners, driving the creation of an ecosystem of consumer applications.

Core Illumina sells products and provides services to Helix in accordance with contractual agreements between the entities.

<i>In millions</i>	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Revenue:				
Core Illumina	\$ 633	\$ 838	\$ 1,492	\$ 1,684
Helix	—	—	—	1
Elimination of intersegment revenue	—	—	—	(1)
Consolidated revenue	<u>\$ 633</u>	<u>\$ 838</u>	<u>\$ 1,492</u>	<u>\$ 1,684</u>
Income (loss) from operations:				
Core Illumina	\$ 96	\$ 211	\$ 285	\$ 433
Helix	—	(6)	—	(24)
Elimination of intersegment earnings	—	—	—	1
Consolidated income from operations	<u>\$ 96</u>	<u>\$ 205</u>	<u>\$ 285</u>	<u>\$ 410</u>

MANAGEMENT'S DISCUSSION & ANALYSIS

Our Management's Discussion and Analysis (MD&A) will help readers understand our results of operations, financial condition, and cash flow. It is provided in addition to the accompanying condensed consolidated financial statements and notes. This MD&A is organized as follows:

- *Management's Overview and Outlook.* High level discussion of our operating results and significant known trends that affect our business.
- *Results of Operations.* Detailed discussion of our revenues and expenses.
- *Liquidity and Capital Resources.* Discussion of key aspects of our condensed consolidated statements of cash flows, changes in our financial position, and our financial commitments.
- *Critical Accounting Policies and Estimates.* Discussion of significant changes since our most recent Annual Report on Form [10-K](#) that we believe are important to understanding the assumptions and judgments underlying our condensed consolidated financial statements.
- *Recent Accounting Pronouncements.* Summary of recent accounting pronouncements applicable to our condensed consolidated financial statements.
- *Off-Balance Sheet Arrangements.* We have no off-balance sheet arrangements.
- *Quantitative and Qualitative Disclosure About Market Risk.* Discussion of our financial instruments' exposure to market risk.

Our discussion of our results of operations, financial condition, and cash flow for Q2 2019 and YTD 2019 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" within our filing of [Form 10-Q](#) for the fiscal quarter ended June 30, 2019.

This MD&A discussion contains forward-looking statements that involve risks and uncertainties. Please see "[Consideration Regarding Forward-Looking Statements](#)" preceding the Condensed Consolidated Financial Statements section of this report for additional factors relating to such statements. This MD&A should be read in conjunction with our condensed consolidated financial statements and accompanying notes included in this report and our Annual Report on Form [10-K](#) for the fiscal year ended December 29, 2019. Operating results are not necessarily indicative of results that may occur in future periods.

MANAGEMENT'S OVERVIEW AND OUTLOOK

This overview and outlook provides a high-level discussion of our operating results and significant known trends that affect our business. We believe that an understanding of these trends is important to understanding our financial results for the periods being reported herein as well as our future financial performance. This summary is not intended to be exhaustive, nor is it intended to be a substitute for the detailed discussion and analysis provided elsewhere in this report.

About Illumina

We have one reportable segment, Core Illumina, which relates to Illumina's core operations. Prior to the Helix deconsolidation on April 25, 2019, our reportable segments included both Core Illumina and Helix. Our focus on innovation has established us as the global leader in DNA sequencing and array-based technologies, serving customers in the research, clinical and applied markets. Our products are used for applications in the life sciences, oncology, reproductive health, agriculture and other emerging segments.

Our customers include a broad range of academic, government, pharmaceutical, biotechnology, and other leading institutions around the globe.

Our comprehensive line of products addresses the scale of experimentation and breadth of functional analysis to advance disease research, drug development, and the development of molecular tests. This portfolio of leading-edge sequencing and array-based solutions addresses a range of genomic complexity and throughput, enabling researchers and clinical practitioners to select the best solution for their scientific challenge.

Our financial results have been, and will continue to be, impacted by several significant trends, which are described below. While these trends are important to understanding and evaluating our financial results, this discussion should be read in conjunction with our condensed consolidated financial statements and the notes thereto within the Condensed Consolidated Financial Statements section of this report, and the other transactions, events, and trends discussed in "[Risk Factors](#)" within the Other Key Information section of this report.

Financial Overview

The COVID-19 pandemic and international efforts to control its spread have significantly curtailed the movement of people, goods, and services worldwide, including in the regions in which we sell our products and services and conduct our business operations. As a result, we experienced a decline in our sales and results of operations during Q2 2020 and YTD 2020. We expect the COVID-19 pandemic to continue to have a negative impact on our sales and our results of operations, the size and duration of which we are currently unable to predict. As

such, we will provide an update on our Q2 2020 and YTD 2020 results only, without discussion about our expectations for the rest of the year.

Consolidated financial highlights for YTD 2020 included the following:

- Revenue decreased 11% in YTD 2020 to \$1,492 million compared to \$1,684 million in YTD 2019 primarily due to decreased shipments of sequencing consumables and instruments to our customers impacted by the effects of the COVID-19 pandemic.
- Gross profit as a percentage of revenue (gross margin) was 70.2% in YTD 2020 compared to 68.7% in YTD 2019. The gross margin increase was driven primarily by an increase in sequencing consumables as a percentage of total revenue, which generate higher gross margins, and an increase in revenue from development and licensing agreements. Our gross margin depends on many factors, including: market conditions that may impact our pricing; sales mix changes among consumables, instruments, and services; product mix changes between established products and new products; excess and obsolete inventories; royalties; our cost structure for manufacturing operations relative to volume; and product support obligations.
- Income from operations as a percentage of revenue was 19.1% in YTD 2020 compared to 24.3% in YTD 2019. The decrease was due to an increase in operating expenses as a percentage of revenue, primarily due to the decrease in revenue in YTD 2020 compared to YTD 2019, offset partially by an increase in gross margin.
- Our effective tax rate was 35.7% in YTD 2020 compared to 10.8% in YTD 2019. In YTD 2020, the variance from the U.S. federal statutory tax rate of 21% was primarily attributable to discrete tax expense related to the valuation allowance recorded against the deferred tax asset for California research and development credits and the finalization of the Altera court case which determined stock-based compensation must be included in intercompany cost sharing payments. This was partially offset by discrete tax benefits related to the derivative assets recorded as a result of the terminated PacBio acquisition, the mix of earnings in jurisdictions with lower statutory tax rates than the U.S. federal statutory tax rate, such as in Singapore and the United Kingdom, and tax benefits related to share-based compensation.
- We ended Q2 2020 with cash, cash equivalents, and short-term investments totaling \$3.3 billion as of June 28, 2020, of which approximately \$464 million was held by our foreign subsidiaries.

RESULTS OF OPERATIONS

To enhance comparability, the following table sets forth unaudited condensed consolidated statement of operations data for the specified reporting periods, stated as a percentage of total revenue.

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Revenue:				
Product revenue	83.3 %	84.0 %	82.3 %	81.5 %
Service and other revenue	16.7	16.0	17.7	18.5
Total revenue	100.0	100.0	100.0	100.0
Cost of revenue:				
Cost of product revenue	24.0	23.4	21.8	22.4
Cost of service and other revenue	7.2	7.0	7.1	7.8
Amortization of acquired intangible assets	1.1	1.2	0.9	1.1
Total cost of revenue	32.3	31.6	29.8	31.3
Gross profit	67.7	68.4	70.2	68.7
Operating expense:				
Research and development	24.5	19.8	20.8	19.9
Selling, general and administrative	28.0	24.1	30.3	24.5
Total operating expense	52.5	43.9	51.1	44.4
Income from operations	15.2	24.5	19.1	24.3
Other income (expense):				
Interest income	1.1	2.4	1.4	2.6
Interest expense	(1.8)	(1.8)	(1.5)	(1.8)
Other income, net	11.5	16.2	3.9	9.3
Total other income, net	10.8	16.8	3.8	10.1
Income before income taxes	26.0	41.3	22.9	34.4
Provision for income taxes	18.6	6.3	8.2	3.7
Consolidated net income	7.4	35.0	14.7	30.7
Add: Net loss attributable to noncontrolling interests	—	0.3	—	0.7
Net income attributable to Illumina stockholders	7.4 %	35.3 %	14.7 %	31.4 %

Percentages may not recalculate due to rounding

Our fiscal year is the 52 or 53 weeks ending the Sunday closest to December 31, with quarters of 13 or 14 weeks ending the Sunday closest to March 31, June 30, September 30, and December 31. References to Q2 2020 and Q2 2019 refer to the three months ended June 28, 2020 and June 30, 2019, respectively, which were both 13 weeks, and references to year-to-date (YTD) of 2020 and 2019 refer to the six months ended June 28, 2020 and June 30, 2019, respectively, which were both 26 weeks.

Revenue

Dollars in millions	Q2 2020	Q2 2019	Change	% Change	YTD 2020	YTD 2019	Change	% Change
Consumables	\$ 436	\$ 571	\$ (135)	(24)%	\$ 1,056	\$ 1,127	\$ (71)	(6)%
Instruments	91	133	(42)	(32)	172	245	(73)	(30)
Total product revenue	527	704	(177)	(25)	1,228	1,372	(144)	(10)
Service and other revenue	106	134	(28)	(21)	264	312	(48)	(15)
Total revenue	\$ 633	\$ 838	\$ (205)	(25)%	\$ 1,492	\$ 1,684	\$ (192)	(11)%

Service and other revenue primarily consists of revenue generated from genotyping and sequencing services, instrument service contracts, and development and licensing agreements. Total revenue relates primarily to Core Illumina for all periods presented.

The decreases in consumables revenue in Q2 2020 and YTD 2020 were primarily due to decreases in sequencing consumables revenue of \$110 million and \$38 million, respectively, driven primarily by decreased shipments to our customers impacted by the effects of the COVID-19 pandemic, which more than offset the positive impacts from the growth in instrument installed base. Microarray consumables revenue also decreased in Q2 2020 and YTD 2020 due to the COVID-19 pandemic and ongoing weakness in the direct-to-consumer (DTC) market. Instruments revenue decreased in Q2 2020 and YTD 2020 primarily due to decreases in sequencing instruments revenue of \$41 million and \$68 million, respectively, which were driven by decreased shipments to our customers impacted by the effects of the COVID-19 pandemic. We experienced fewer shipments across our portfolio in Q2 2020 and YTD 2020, with the exception of our NextSeq 2000 platform, which launched in Q1 2020. Service and other revenue decreased in Q2 2020 and YTD 2020, primarily due to decreased revenue from genotyping and sequencing services. The YTD 2020 decrease in service and other revenue was partially offset by increased revenue from development and licensing agreements.

Gross Margin

<i>Dollars in millions</i>	Q2 2020	Q2 2019	Change	% Change	YTD 2020	YTD 2019	Change	% Change
Gross profit	\$ 428	\$ 573	\$ (145)	(25)%	\$ 1,047	\$ 1,157	\$ (110)	(10)%
Gross margin	67.7 %	68.4 %			70.2 %	68.7 %		

The gross margin decrease in Q2 2020 was driven primarily by lower revenue, which generated less fixed cost leverage, and increased freight costs attributable to the COVID-19 pandemic. The gross margin increase in YTD 2020 was primarily driven by an increase in sequencing consumables as a percentage of total revenue, which generate higher gross margins, and an increase in revenue from development and licensing agreements.

Operating Expense

<i>Dollars in millions</i>	Q2 2020	Q2 2019	Change	% Change	YTD 2020	YTD 2019	Change	% Change
Research and development	\$ 155	\$ 166	\$ (11)	(7) %	\$ 311	\$ 335	\$ (24)	(7) %
Selling, general and administrative	177	202	(25)	(12)	451	412	39	9
Total operating expense	\$ 332	\$ 368	\$ (36)	(10) %	\$ 762	\$ 747	\$ 15	2 %

Core Illumina R&D expense decreased by \$9 million, or 5%, in Q2 2020 and by \$15 million, or 5%, in YTD 2020 primarily due to decreases in outside services, performance-based compensation, and travel expenses. Helix R&D expense decreased by \$2 million in Q2 2020 and by \$9 million in YTD 2020 due to its deconsolidation on April 25, 2019.

Core Illumina SG&A expense decreased by \$22 million, or 11%, in Q2 2020, primarily due to decreases in travel expenses, acquisition-related expenses, and performance-based compensation, partially offset by an increase in other compensation related expenses. Core Illumina SG&A expense increased by \$48 million, or 12%, in YTD 2020, primarily due to expenses related to the Reverse Termination Fee and Continuation Advances paid to PacBio in Q1 2020, partially offset by decreases in travel expenses and performance-based compensation. Helix SG&A expense decreased by \$3 million in Q2 2020 and by \$9 million in YTD 2020 due to its deconsolidation on April 25, 2019.

Other Income, Net

<i>Dollars in millions</i>	Q2 2020	Q2 2019	Change	% Change	YTD 2020	YTD 2019	Change	% Change
Interest income	\$ 7	\$ 20	\$ (13)	(65) %	\$ 21	\$ 43	\$ (22)	(51) %
Interest expense	(11)	(15)	4	(27)	(22)	(30)	8	(27)
Other income, net	73	136	(63)	(46)	58	157	(99)	(63)
Total other income, net	<u>\$ 69</u>	<u>\$ 141</u>	<u>\$ (72)</u>	(51) %	<u>\$ 57</u>	<u>\$ 170</u>	<u>\$ (113)</u>	(66) %

Other income, net, relates primarily to Core Illumina for all periods presented.

Interest income decreased in Q2 2020 and YTD 2020 as a result of lower yields on our short-term debt securities and lower cash and cash-equivalent balances. Interest expense consisted primarily of accretion of discount on our convertible senior notes. The decreases in other income, net, in Q2 2020 and YTD 2020 were primarily due to decreased unrealized gains on our marketable equity securities, which included a \$92 million unrealized gain recorded in Q2 2019 from a strategic investment that completed an initial public offering, a \$39 million gain recorded on the deconsolidation of Helix in Q2 2019, and decreases in the fair value of our derivative assets related to the terminated PacBio acquisition. The YTD 2020 decrease in other income, net, is also due to a \$15 million gain recorded in Q1 2019 from the settlement of a contingency related to the deconsolidation of GRAIL in 2017.

Provision for Income Taxes

<i>Dollars in millions</i>	Q2 2020	Q2 2019	Change	% Change	YTD 2020	YTD 2019	Change	% Change
Income before income taxes	\$ 165	\$ 346	\$ (181)	(52)%	\$ 342	\$ 580	\$ (238)	(41)%
Provision for income taxes	118	53	65	123	122	63	59	94
Consolidated net income	\$ 47	\$ 293	\$ (246)	(84)%	\$ 220	\$ 517	\$ (297)	(57)%
Effective tax rate	71.6 %	15.4 %			35.7 %	10.8 %		

Our effective tax rate was 71.6% in Q2 2020 compared to 15.4% in Q2 2019. The variance from the U.S. federal statutory tax rate of 21% in Q2 2020 was primarily attributable to discrete tax expense related to the valuation allowance recorded against the deferred tax asset for California research and development credits and the finalization of the Altera court case which determined stock-based compensation must be included in intercompany cost sharing payments, partially offset by the mix of earnings in jurisdictions with lower statutory tax rates than the U.S. federal statutory tax rate, such as in Singapore and the United Kingdom. In Q2 2019, the variance from the U.S. federal statutory tax rate of 21% was primarily attributable to the mix of earnings in jurisdictions with lower statutory tax rates than the U.S. federal statutory tax rate, such as in Singapore and the United Kingdom.

In evaluating our ability to realize the deferred tax asset for California research and development credits we considered all available positive and negative evidence, including operating results and forecasted ranges of future taxable income, and determined it is more likely than not that our California research and development credits will not be realized. As a result, a discrete tax expense of \$62 million was recorded in Q2 2020 related to establishing a valuation allowance against the deferred tax asset for California research and development credits. We will continue to monitor all available positive and negative evidence in assessing the realization of the deferred tax asset for California research and development credits in the future. In the event there is a need to release the valuation allowance a tax benefit will be recorded.

On June 22, 2020, the Supreme Court denied petition for certiorari for Altera Corporation v. Commissioner. This effectively means the Ninth Circuit decision that stock-based compensation must be included in cost sharing is final. As a result, a discrete tax expense of \$28 million was recorded in Q2 2020.

Our effective tax rate was 35.7% in YTD 2020 compared to 10.8% in YTD 2019. In YTD 2020, the variance from the U.S. federal statutory tax rate of 21% was primarily attributable to discrete tax expense related to the valuation allowance recorded against the deferred tax asset for California research and development credits and the finalization of the Altera court case which determined stock-based compensation must be included in intercompany cost sharing payments. This was partially offset by discrete tax benefits related to the derivative assets recorded as a result of the terminated PacBio acquisition, the mix of earnings in jurisdictions with lower statutory tax rates than the U.S. federal statutory tax rate, such as in Singapore and the United Kingdom, and tax benefits related to share-based compensation. In YTD 2019, the variance from the U.S. federal statutory tax rate of 21% was primarily attributable to the mix of earnings in jurisdictions with lower statutory tax rates than the U.S. federal statutory tax rate, such as in Singapore and the United Kingdom, a discrete tax benefit related to uncertain tax positions recorded in Q1 2019, and excess tax benefits related to share-based compensation.

Our future effective tax rate may vary from the U.S. federal statutory tax rate due to the mix of earnings in tax jurisdictions with different statutory tax rates and the other factors discussed in the risk factor “We are subject to risks related to taxation in multiple jurisdictions” described in “Risk Factors” within the Business and Market Information section of our Annual Report on Form [10-K](#) for the fiscal year ended December 29, 2019.

LIQUIDITY AND CAPITAL RESOURCES

At June 28, 2020, we had approximately \$1.8 billion in cash and cash equivalents, of which approximately \$464 million was held by our foreign subsidiaries. Cash and cash equivalents decreased by \$0.3 billion from December 29, 2019, due to the factors described in the “Cash Flow Summary” below. Our primary source of liquidity, other than our holdings of cash, cash equivalents and investments, has been cash flows from operations and, from time to time, issuances of debt. Our ability to generate cash from operations provides us with the financial flexibility we need to meet operating, investing, and financing needs.

Historically, we have liquidated our short-term investments and/or issued debt and equity securities to finance our business needs as a supplement to cash provided by operating activities. As of June 28, 2020, we had \$1.5 billion in short-term investments. Our short-term investments are predominantly comprised of marketable securities consisting of debt securities in U.S. government-sponsored entities, corporate debt securities, and U.S. Treasury securities.

Our convertible senior notes due in 2021, with an aggregate principal amount of \$517 million, became convertible on July 1, 2020, and continue to be convertible through September 30, 2020. Our convertible senior notes due in 2023 were not convertible.

We anticipate that our current cash, cash equivalents, and short-term investments, together with cash provided by operating activities are sufficient to fund our near-term capital and operating needs for at least the next 12 months. Operating needs include the planned costs to operate our business, including amounts required to fund working capital and capital expenditures. Our primary short-term needs for capital, which are subject to change, include:

- support of commercialization efforts related to our current and future products;
- acquisitions of equipment and other fixed assets for use in our current and future manufacturing and research and development facilities;
- the continued advancement of research and development efforts;
- potential strategic acquisitions and investments;
- repayment of debt obligations;
- the expansion needs of our facilities, including costs of leasing and building out additional facilities; and
- repurchases of our outstanding common stock.

On February 5, 2020, our Board of Directors authorized a new share repurchase program, which supersedes all prior and available repurchase authorizations, to repurchase \$750 million of outstanding common stock. The repurchases may be completed under a 10b5-1 plan or at management's discretion. Authorizations to repurchase \$420 million of our common stock remained available as of June 28, 2020.

We had \$44 million and up to \$143 million, respectively, remaining in our capital commitments to two venture capital investment funds as of June 28, 2020 that are callable through April 2026 and July 2029, respectively.

We expect that our revenue and the resulting operating income, as well as the status of each of our new product development programs, will significantly impact our cash management decisions.

Our future capital requirements and the adequacy of our available funds will depend on many factors, including:

- our ability to successfully commercialize and further develop our technologies and create innovative products in our markets;
- scientific progress in our research and development programs and the magnitude of those programs;
- competing technological and market developments; and
- the need to enter into collaborations with other companies or acquire other companies or technologies to enhance or complement our product and service offerings.

Cash Flow Summary

<i>In millions</i>	YTD 2020	YTD 2019
Net cash provided by operating activities	\$ 521	\$ 341
Net cash (used in) provided by investing activities	(455)	1,067
Net cash used in financing activities	(334)	(609)
Effect of exchange rate changes on cash and cash equivalents	(4)	—
Net (decrease) increase in cash and cash equivalents	\$ (272)	\$ 799

Operating Activities

Net cash provided by operating activities in YTD 2020 primarily consisted of net income of \$220 million plus net adjustments of \$237 million, and net changes in operating assets and liabilities of \$64 million. The primary adjustments to net income included depreciation and amortization expenses of \$90 million, a loss on derivative assets related to a terminated acquisition of \$107 million, share-based compensation of \$55 million, deferred income taxes of \$47 million, and accretion of debt discount of \$19 million, partially offset by and unrealized gains on marketable equity securities of \$69 million. Cash flow impact from changes in net operating assets and liabilities were primarily driven by a decrease in accounts receivable and an increase in other long-term liabilities, partially offset by increases in inventory and other assets and decreases in accrued liabilities and accounts payable.

Investing Activities

Net cash used in investing activities totaled \$455 million in YTD 2020. We purchased \$547 million of available-for-sale securities and \$505 million of our available-for-sale securities matured or were sold during the period. We paid \$132 million for derivative assets, consisting of a \$98 million Reverse Termination Fee and \$34 million in Continuation Advances, associated with the terminated acquisition of PacBio. We purchased strategic investments of \$107 million and completed an acquisition for total cash consideration of \$95 million, net of cash acquired. We invested \$79 million in capital expenditures, primarily associated with our investment in facilities.

Financing Activities

Net cash used in financing activities in YTD 2020 totaled \$334 million. We used \$330 million to repurchase our common stock, including commissions, and \$38 million to pay taxes related to net share settlement of equity awards. We received \$34 million in proceeds from the sale of shares under our employee stock purchase plan and the issuance of common stock through the exercise of stock options.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our condensed consolidated financial statements, we make estimates, assumptions and judgments that can have a significant impact on our net revenue, operating income and net income, as well as on the value of certain assets and liabilities on our balance sheet. We believe that the estimates, assumptions and judgments involved in the accounting policies described in "Critical Accounting Policies and Estimates" within the Management's Discussion & Analysis section of our Annual Report on Form [10-K](#) for the fiscal year ended December 29, 2019 have the greatest potential impact on our financial statements, so we consider them to be our critical accounting policies and estimates. Though the impact of the COVID-19 pandemic to our business and operating results presents additional uncertainty, we continue to use the best information available to inform our critical accounting estimates. There were no material changes to our critical accounting policies and estimates during the first half of 2020.

RECENT ACCOUNTING PRONOUNCEMENTS

For summary of recent accounting pronouncements applicable to our condensed consolidated financial statements, see note "[1. Organization and Significant Accounting Policies](#)" within the Condensed Consolidated Financial Statements section of this report, which is incorporated herein by reference.

OFF-BALANCE SHEET ARRANGEMENTS

We do not participate in any transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. During the first half of 2020, we were not involved in any "off-balance sheet arrangements" within the meaning of the rules of the Securities and Exchange Commission.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There were no substantial changes to our market risks in the first half of 2020, when compared to the disclosures in "Quantitative and Qualitative Disclosures about Market Risk" within the Management's Discussion & Analysis section of our Annual Report on Form [10-K](#) for the fiscal year ended December 29, 2019.

OTHER KEY INFORMATION

CONTROLS AND PROCEDURES

We design our internal controls to provide reasonable assurance that (1) our transactions are properly authorized; (2) our assets are safeguarded against unauthorized or improper use; and (3) our transactions are properly recorded and reported in conformity with U.S. generally accepted accounting principles. We also maintain internal controls and procedures to ensure that we comply with applicable laws and our established financial policies.

Based on management's evaluation (under the supervision and with the participation of our chief executive officer (CEO) and chief financial officer (CFO)), as of the end of the period covered by this report, our CEO and CFO concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

During Q2 2020, we continued to monitor and evaluate the design and operating effectiveness of key controls, including the impact of the COVID-19 pandemic on our internal control environment. There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that materially affected or are reasonably likely to materially affect internal control over financial reporting.

LEGAL PROCEEDINGS

See discussion of legal proceedings in note “[7. Legal Proceedings](#)” in the Condensed Consolidated Financial Statements section of this report, which is incorporated herein by reference.

RISK FACTORS

Our business is subject to various risks, including those described in “Risk Factors” within the Business and Market Information Section of our Annual Report on Form [10-K](#) for the fiscal year ended December 29, 2019, which we strongly encourage you to review. In addition to the risk factors disclosed in our Form [10-K](#), the issues raised in the following risk factor could adversely affect our operating results and stock price:

We are unable to predict the extent to which the COVID-19 pandemic will adversely impact our business operations and financial performance.

The COVID-19 pandemic caused by the SARS-CoV-2 virus and international efforts to control its spread have significantly curtailed the movement of people, goods and services worldwide, including in the regions in which we sell our products and services and conduct our business operations. As a result, we experienced a decline in our sales and results of operations during Q2 2020 and YTD 2020. The magnitude and duration of the resulting decline in business activity cannot currently be estimated with any degree of certainty and will (1) negatively impact the demand for our products and services, (2) restrict our sales operations, marketing efforts, and customer field support, (3) impede the shipping and delivery of our products to customers (4) disrupt our supply chain, and (5) limit our ability to conduct research and product development and other important business activities. We continue to monitor our operations and applicable government recommendations, and we have made modifications to our normal operations because of the COVID-19 pandemic. In the U.S. and in most other key markets, we are requiring most of our employees to work remotely, while ensuring essential staffing levels in our operations remain in place, including maintaining key personnel in our laboratories and manufacturing facilities, and many may continue to work remotely for an indefinite period of time. Remote working arrangements could impact employees’ productivity and morale. In addition, in response to the COVID-19 pandemic, certain industry and customer events have been canceled, postponed or moved to virtual-only experiences, and we may further alter, postpone or cancel additional customer, employee or industry events in the future. We may incur increased costs and experience delays in sales, purchases, deliveries and other business activities associated with the invocation by customers, suppliers, service providers, and other business partners of contractual provisions they may claim are triggered by the COVID-19 pandemic. We expect the COVID-19 pandemic to continue to have a negative impact on our sales and our results of operations, the size and duration of which we are currently unable to predict. Additionally, concerns over the economic impact of the COVID-19 pandemic have caused extreme volatility in financial and other capital markets which may adversely impact the fair value of our marketable securities.

SHARE REPURCHASES AND SALES

Purchases of Equity Securities by the Issuer

On February 5, 2020, our Board of Directors authorized a share repurchase program, which superseded all prior and available repurchase authorizations, to repurchase \$750 million of outstanding common stock. The repurchases may be completed under a 10b5-1 plan or at management’s discretion. Shares repurchased in open-market transactions pursuant to this program during YTD 2020 were as follows:

<i>In thousands, except price per share</i>	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs
First Quarter	660	\$ 284.08	660	\$ 562,500
Second Quarter (1)	410	\$ 348.63	410	\$ 419,624
Total	1,070	\$ 308.80	1,070	\$ 419,624

(1) Repurchases during the second quarter of 2020 were as follows:

<i>In thousands, except price per share</i>	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs
March 30, 2020 - April 26, 2020	—	—	—	\$ 562,500
April 27, 2020 - May 24, 2020	127	\$ 331.08	127	\$ 520,502
May 25, 2020 - June 28, 2020	283	\$ 356.50	283	\$ 419,624
Total	410	\$ 348.63	410	\$ 419,624

Unregistered Sales of Equity Securities

None during the quarterly period ended June 28, 2020.

EXHIBITS

Exhibit Number	Description of Document
4.6	Description of Illumina, Inc.'s securities registered pursuant to Section 12 of the Exchange Act of 1934
10.35	2000 Employee Stock Purchase Plan, as amended and restated through April 29, 2020
31.1	Certification of Francis A. deSouza pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Sam A. Samad pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Francis A. deSouza pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Sam A. Samad pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File - formatted in Inline XBRL and included as Exhibit 101

FORM 10-Q CROSS-REFERENCE INDEX

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	5
Condensed Consolidated Balance Sheets	5
Condensed Consolidated Statements of Income	6
Condensed Consolidated Statements of Comprehensive Income	7
Condensed Consolidated Statement of Stockholders' Equity	8
Condensed Consolidated Statements of Cash Flows	10
Notes to Condensed Consolidated Financial Statements	11
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3. Quantitative and Qualitative Disclosures About Market Risk	32
Item 4. Controls and Procedures	32
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	33
Item 1A. Risk Factors	33
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	33
Item 3. Defaults Upon Senior Securities	None
Item 4. Mine Safety Disclosures	Not Applicable
Item 5. Other Information	None
Item 6. Exhibits	34
Signatures	36

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ILLUMINA, INC.
(registrant)

Date: August 6, 2020

/s/ SAM A. SAMAD

Sam A. Samad
Senior Vice President and Chief Financial Officer

Description of Registrant's Securities

The following description of registered securities of Illumina, Inc. is intended as a summary only and therefore is not a complete description. As used in this "Description of Registrant's Securities," the terms "Illumina," "Company," "we," "our" and "us" refer to Illumina, Inc. and do not, unless the context otherwise indicates, include our subsidiaries.

Our authorized capital stock consists of 320 million shares of common stock, \$0.01 par value per share, and 10 million shares of preferred stock, \$0.01 par value per share. Our common stock is registered under Section 12(b) of the Exchange Act.

Common Stock

This description of our common stock is based upon, and qualified by reference to, our Amended and Restated Certificate of Incorporation (our "certificate of incorporation"), our amended and restated by-laws (our "bylaws") and applicable provisions of Delaware corporate law (the "DGCL"). You should read our certificate of incorporation and bylaws, which are incorporated by reference as Exhibits 3.1 and 3.2, respectively, to the Annual Report on Form 10-K for the provisions that are important to you.

General

Annual Meeting. Annual meetings of our stockholders are held on the date designated in accordance with our bylaws. Written notice must be mailed to each stockholder entitled to vote not less than ten nor more than 60 days before the date of the meeting. The presence in person or by proxy of the holders of record of a majority of our issued and outstanding shares entitled to vote at such meeting constitutes a quorum for the transaction of business at meetings of the stockholders, except as otherwise provided by statute or by the certificate of incorporation. Special meetings of the stockholders may be called by the board of directors. Except as may be otherwise provided by applicable law, our certificate of incorporation or our bylaws, all matters shall be decided by a majority of the votes cast by stockholders entitled to vote thereon at a duly held meeting of stockholders at which a quorum is present. Each director shall be elected by the vote of the majority of the votes cast at any meeting for the election of directors at which a quorum is present, provided, that in a contested election, the directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at such meeting and entitled to vote on the election of directors and recommended for adoption by the board of directors.

Voting Rights. The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders.

Dividends. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably any dividends that may be declared from time to time by the board of directors out of funds legally available for that purpose.

Liquidation and Dissolution. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock then outstanding.

Other Rights. The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable.

Provisions of our Certificate of Incorporation and Bylaws and Delaware Law that May Have Anti-Takeover Effects

Certain provisions of our Certificate of Incorporation and Bylaws could delay the removal of incumbent directors and could make it more difficult to successfully complete a merger, tender offer, or

proxy contest involving us. Our Certificate of Incorporation has provisions that give our Board the ability to issue preferred stock and determine the rights and designations of the preferred stock at any time without stockholder approval. The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of our outstanding voting stock. In addition, until 2022, the staggered terms of our board of directors could have the effect of delaying or deferring a change in control.

In addition, certain provisions of the Delaware General Corporation Law (DGCL), including Section 203 of the DGCL, may have the effect of delaying or preventing changes in the control or management of Illumina. Section 203 of the DGCL provides, with certain exceptions, for waiting periods applicable to business combinations with stockholders owning at least 15% and less than 85% of the voting stock (exclusive of stock held by directors, officers, and employee plans) of a company.

ILLUMINA, INC.

2000 EMPLOYEE STOCK PURCHASE PLAN

As Amended and Restated April 29, 2020

The following constitute the provisions of the 2000 Employee Stock Purchase Plan of Illumina, Inc.

1. **Purpose.** The purpose of the Purchase Plan is to provide Employees of the Company and its Designated Companies with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Purchase Plan qualify as an “Employee Stock Purchase Plan” under Section 423 of the Code, although the Company makes no undertaking or representation to maintain such qualification. The provisions of the Purchase Plan, accordingly, shall be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code. In addition, the Purchase Plan authorizes the purchase of Common Stock under a Non-423(b) Plan, pursuant to rules, procedures or sub-plans adopted by the Board and designed to achieve tax, securities law or other objectives. Unless otherwise determined by the Board, each offering under the Purchase Plan in which Employees of one or more Designated Companies may participate will be deemed a separate offering for purposes of Section 423 of the Code, even if the dates of the applicable Offering Periods of each such offering are identical, and the provisions of the Purchase Plan will separately apply to each Offering Period. With respect to offerings under the Code Section 423(b) Plan, the terms of separate offerings need not be identical provided that all Employees granted purchase rights in a particular offering will have the same rights and privileges, except as otherwise may be permitted by Section 423 of the Code; an offering under Non-423(b) Plan need not satisfy such requirements.

2. **Definitions.**

a. **“Affiliate”** shall mean any entity, other than a Subsidiary, in which the Company has an equity or other ownership interest, and which means the requirements of an “Affiliate” within the meaning Rule 12b-2 promulgated under the Exchange Act. The Board shall have the authority to determine the time or times at which “Affiliate” status is determined within the foregoing definition.

b. **“Applicable Law”** means the requirements relating to the administration of equity-based awards under state corporate laws, United States federal and state securities laws, the Code, the rules of any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any non-U.S. jurisdiction where rights are, or will be, granted under the Purchase Plan.

c. **“Board”** shall mean the Board of Directors of the Company or any committee thereof or one or more other parties designated by the Board of Directors of the Company in accordance with Section 13 of the Purchase Plan.

d. **“Code”** shall mean the U.S. Internal Revenue Code of 1986, as amended.

e. **“Code Section 423(b) Plan”** shall mean an employee stock purchase plan which is designed to meet the requirements set forth in Section 423(b) of the Code, as amended. The provisions of the Code Section 423(b) Plan should be construed, administered and enforced in accordance with Section 423(b) of the Code and the Treasury Regulations promulgated thereunder.

f. **“Common Stock”** shall mean the common stock, \$0.01 par value per share, of the Company, as the same may be converted, changed, reclassified or exchanged.

g. **“Company”** shall mean Illumina, Inc., a Delaware corporation, and any successor to the Company that adopts the Purchase Plan.

h. **“Compensation”** shall mean all base straight time gross earnings, but exclusive of commissions, payments for overtime, shift premium, incentive compensation, incentive payments, bonuses and other compensation, unless otherwise determined by the Board. Such Compensation shall be calculated before deduction of (i) any income or employment tax withholdings or (ii) any contributions made by the participant to any Code Section 401(k) salary deferral plan or any Code Section 125 cafeteria benefit program now or hereafter established by the Company or any of its Subsidiaries. The Board shall have the discretion to determine what constitutes Compensation for Employees outside of the United States.

i. **“Designated Company”** shall mean any Subsidiary or Affiliate that has been designated by the Board from time to time in its sole discretion as eligible to participate in the Purchase Plan. For purposes of the Code Section 423(b) Plan, only the Company and its Subsidiaries may be Designated Companies, *provided, however*, that at any given time, a Subsidiary that is a Designated Company under the Code Section 423(b) Plan shall not be a Designated Company under the Non-423(b) Plan.

j. **“Employee”** shall mean, unless the Board elects not to apply the following limitations with respect to a given Offering Period, any individual whose customary employment with the Company or a Designated Company for tax purposes is at least twenty (20) hours per week and for more than five (5) months in any calendar year. Under the Non-423(b) Plan, the definition may also include an individual whose customary employment with the Company or a Designated Company for tax purposes is less than twenty (20) hours per week or for less than five (5) months in any calendar year. The Board, in its discretion, from time to time may, prior to an Enrollment Period for all options to be granted in an offering, determine (on a uniform and nondiscriminatory basis for offerings granted under the Code Section 423(b) Plan) that the definition of Employee will or will not include an individual if he or she: (A) has not completed at least two (2) years of service since his or her last hire date (or such lesser period of time as may be determined by the Board in its discretion), (B) is a highly compensated employee within the meaning of Section 414(q) of the Code, or (C) is a highly compensated employee within the meaning of Section 414(q) of the Code with compensation above a certain level or who is an officer or subject to the disclosure requirements of Section 16(a) of the Exchange Act, provided the exclusion is applied with respect to each offering under the Code Section 423(b) Plan in an identical manner to all highly compensated individuals of the Designated Company whose employees are participating in that offering. For purposes of clarity, the term “Employee” will not include the

following, regardless of any subsequent reclassification as an employee by the Company or a Designated Company, any governmental agency, or any court: (i) any independent contractor; (ii) any consultant; (iii) any individual performing services for the Company or a Designated Company who has entered into an independent contractor or consultant agreement with the Company or a Designated Company; (iv) any individual performing services for the Company or a Designated Company under a purchase order, a supplier agreement or any other agreement that the Company or a Designated Company enters into for services; (v) any individual classified by the Company or a Designated Company as contract labor (such as contractors, contract employees, job shoppers), regardless of length of service; (vi) any individual whose base wage or salary is not processed for payment by the payroll department(s) or payroll provider(s) of the Company or a Designated Company; and (vii) any leased employee within the meaning of Code Section 414(n), including such persons leased from a professional employer organization. The Board will have exclusive discretion to determine whether an individual is an Employee for purposes of the Purchase Plan.

k. **“Enrollment Date”** shall mean the first Trading Day of each Offering Period.

l. **“Enrollment Period”** shall the period during which an Employee may elect to participate in the Purchase Plan, with such period occurring before the first day of each Offering Period, as prescribed by the Board.

m. **“Exercise Date”** shall mean the first Trading Day in February and August of each year (or such other Trading Date as the Board may determine in accordance with Section 4 hereof).

n. **“Exchange Act”** shall mean the U.S. Securities Exchange Act of 1934, as amended.

o. **“Fair Market Value”** shall mean, as of any date, the value of Common Stock determined as follows:

i. If the Common Stock is listed on any established stock exchange, including, without limitation, the Nasdaq Global Select Market, its Fair Market Value shall be the closing selling price per share for such stock (or if no sale occurred on such date, the closing price reported for the first Trading Day immediately following such date during which a sale occurred), as reported in *The Wall Street Journal* or such other source as the Board deems reliable;

ii. If the Common Stock is not traded on an exchange but is regularly quoted on a national market or other quotation system, , its Fair Market Value shall be the closing sales price on such date as quoted on such market or system, or if no sales occurred on such date, then on the Trading Date immediately following such date on which sales prices are reported, , as reported in *The Wall Street Journal* or such other source as the Board deems reliable; or

iii. In the absence of an established market for the Common Stock of the type described in (i) or (ii) of this Section 2(o), the Fair Market Value thereof shall be determined in good faith by the Board.

p. “**Non-423(b) Plan**” shall mean an employee stock purchase plan which is not intended to meet the requirements set forth in Section 423(b) of the Code.

q. “**Offering Periods**” shall mean the periods of approximately twelve (12) months during which an option granted pursuant to the Purchase Plan may be exercised, commencing on the first Trading Day in February and August each year and terminating on the first Trading Day in February or August which is approximately twelve months later. The duration and timing of Offering Periods may be changed pursuant to Section 4 of this Purchase Plan.

r. “**Purchase Plan**” shall mean this 2000 Employee Stock Purchase Plan, which includes a Code Section 423(b) Plan and a Non-423(b) Plan, as amended from time to time.

s. “**Purchase Period**” shall mean the approximately six month period commencing on one Exercise Date and ending with the next Exercise Date (or such other period as determined by the Board in accordance with Section 4 of the Purchase Plan).

t. “**Purchase Price**” shall mean the purchase price at which Shares may be acquired on an Exercise Date and which will be set by the Board; *provided, however*, that the Purchase Price for an offering under a Code Section 423(b) Plan shall not be less than 85% of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower. Unless otherwise determined by the Board prior to the commencement of an Offering Period, the Purchase Plan Price shall 85% of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower.

u. “**Shares**” means the shares of Common Stock.

v. “**Subsidiary**” shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary, and shall in any event be interpreted to meet the requirements of a “subsidiary,” as defined in Section 424(f) of the Code.

w. “**Tax-Related Items**” means any income tax, social insurance, payroll tax, payment on account or other tax-related items arising in relation to the participant’s participation in the Purchase Plan.

x. “**Trading Day**” shall mean a day on which the principal exchange that the Common Stock is listed on is open for trading.

3. **Eligibility.**

a. Any Employee who shall be employed by the Company or a Designated Company on a given Enrollment Date shall be eligible to participate in the Purchase Plan.

b. Any provisions of the Purchase Plan to the contrary notwithstanding, no Employee shall be granted an option under the Purchase Plan (i) to the extent that, immediately after the grant, such Employee (or any other person whose stock

would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Subsidiary, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Company and its Subsidiaries accrues at a rate which exceeds Twenty-Five Thousand Dollars (US\$25,000) worth of stock (determined under Section 423 of the Code at the fair market value of the Shares at the time such option is granted) for each calendar year in which such option is outstanding at any time.

c. An Employee who works for a Designated Company and is a citizen or resident of a jurisdiction other than the United States (without regard to whether such individual also is a citizen or resident of the United States or is a resident alien (within the meaning of Section 7701(b)(1)(A) of the Code)) may be excluded from participation in the Purchase Plan or an offering if the participation of such Employee is prohibited under the laws of the applicable jurisdiction or if complying with the laws of the applicable jurisdiction would cause the Purchase Plan or an offering under the Code Section 423(b) Plan to violate Section 423 of the Code. In the case of an offering under the Non-423(b) Plan, an Employee (or group of Employees) may be excluded from participation in the Purchase Plan or an offering if the Plan has determined, in its sole discretion, that participation of such Employee(s) is not advisable or practicable for any reason.

4. **Offering Periods.** The Purchase Plan shall be implemented by consecutive, overlapping Offering Periods with a new Offering Period commencing on the first Trading Day in February and August each year, or on such other date as the Board shall determine, and continuing thereafter until terminated in accordance with Section 18 hereof. Unless and until the Board determines otherwise in its discretion, each Offering Period will consist of two (2) approximately six (6)-month Purchase Periods, which will commence on one Exercise Date and end with the next Exercise Date. The Board shall have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings and to change the Exercise Dates with respect to future Purchase Periods without stockholder approval if such change is announced at least five (5) days, or such other period designated by the Board, prior to the scheduled beginning of the first Offering Period to be affected thereafter; *provided, however*, that no Offering Period may have a duration that exceeds twenty-seven (27) months.

5. **Participation.**

a. An eligible Employee may elect to participate in an Offering Period under the Purchase Plan during any Enrollment Period. Any such election will be made by completing the online enrollment process through the Company's designated Purchase Plan broker or by completing a subscription agreement authorizing contributions of Compensation in a form provided by the Company and filing it with the Company during the Enrollment Period.

b. Once an eligible Employee becomes a participant in the Purchase Plan, such individual shall remain a participant and will automatically participate in the Offering Period commencing immediately following the last day of such prior Offering Period

at the same rate of contributions as was in effect in the prior Offering Period unless the participant elects to increase or decrease the rate of contributions or until he or she terminates such participation as provided in Section 10 hereof, the Purchase Plan terminates or the participant loses his or her status as an Employee. A participant who is automatically enrolled in a subsequent Offering Period pursuant to this Section 5(b) is not required to file any additional documentation in order to continue participation in the Purchase Plan; *provided, however*, that participation in the subsequent Offering Period will be governed by the terms and conditions of the Purchase Plan in effect at the beginning of such Offering Period, subject to the participant's right to withdraw from the Purchase Plan in accordance with Section 10 below. The Board has the authority to change the rules set forth in this Section 5(b) regarding participation in the Purchase Plan.

c. An eligible Employee may be enrolled in only one Offering Period at a time.

6. **Payroll Deductions/Contributions.**

a. At the time a participant elects to enroll in an Offering Period, he or she shall elect to contribute to the Purchase Plan (in the form of payroll deductions or by means other than payroll deductions as may be permitted by the Board, at its sole discretion) during the Offering Period in an amount not exceeding fifteen percent (15%) of the participant's Compensation for the Purchase Period within the Offering Period to which the deduction applies.

b. All contributions made for a participant shall be credited to his or her account under the Purchase Plan and shall be made in whole percentages only. A participant may not make any additional payments into such account unless required to comply with Applicable Law.

c. A participant may discontinue his or her participation in the Purchase Plan as provided in Section 10 hereof, or may decrease the rate of his or her payroll deductions or other contributions during the Offering Period by submitting the appropriate form online through the Company's designated Purchase Plan broker or by completing and filing with the Company a new subscription agreement authorizing a change in payroll deduction or contribution rate. The Company may, in its discretion, limit the nature and/or number of participation rate changes during any Offering Period, and may establish such other conditions or limitations as it deems appropriate for Purchase Plan administration. The change in rate shall be effective with the first full payroll period following five (5) business days after the Company's receipt of the new online form or subscription agreement, as applicable, unless the Company elects to process a given change in participation more quickly. A participant may elect to increase or decrease the rate of the participant's contributions during any subsequent Enrollment Period by submitting the appropriate form online through the Company's designated Purchase Plan broker or completing and filing with the Company a new subscription agreement authorizing a change in payroll deduction or contribution rate, provided that no change in contributions will be permitted to the extent that such change would result in total contributions exceeding fifteen percent (15%) of the Employee's Compensation, or such other maximum amount as may be determined by the Board. A participant's contribution election shall remain in effect for successive Offering Periods unless

terminated as provided in Section 10 hereof or changed in accordance with the foregoing sentence..

d. If by reason of the limitations set forth in Sections 3(b), 7 and 12(a) or in any sub-plan to the Purchase Plan, any option of a participant does not accrue for a particular Purchase Period, then the contributions that the participant made during that Purchase Period with respect to such option shall be promptly refunded, without the payment of interest unless required under Applicable Law. In addition, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) hereof, a participant's contributions may be decreased to one percent (1%) (or, to the extent determined by Board, zero percent (0%)), at any time during a Purchase Period. Contributions shall recommence at the rate provided in connection with such participant's enrollment at the beginning of the first Purchase Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10 hereof.

e. At the time the option is exercised, in whole or in part, at the time some or all of the Common Stock issued under the Purchase Plan is disposed of, or at any other taxable or tax withholding event, as applicable, the participant must make adequate provision for any Tax-Related Items. In their discretion, the Company or a Designated Company that employs the participant may satisfy any obligation to withhold Tax-Related Items by (i) withholding from the participant's wages or other compensation, (b) withholding a sufficient whole number of Shares otherwise issuable following purchase having an aggregate Fair Market Value sufficient to pay the Tax-Related Items required to be withheld with respect to the Shares, (c) withholding from the proceeds from the sale of Shares issued upon purchase, either through a voluntary sale or a mandatory sale arranged by the Company, (d) requiring the participant to make a cash payment to the Company or another Designated Company equal to the amount of the Tax-Related Items, or (e) any other method permitted under Applicable Law.

7. **Grant of Option.** On the Enrollment Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of whole Shares determined by dividing such Employee's contributions accumulated prior to such Exercise Date and retained in the participant's account as of the Exercise Date by the applicable Purchase Price; provided that in no event shall an Employee be permitted to purchase during each Purchase Period more than 50,000 Shares (subject to any adjustment pursuant to Section 17), and provided further that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12 hereof or in any sub-plan to the Purchase Plan. The Board may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of Shares an Employee may purchase during each Purchase Period of such Offering Period. Exercise of the option shall occur as provided in Section 8 hereof, unless the participant has withdrawn pursuant to Section 10 hereof. The option shall expire on the last day of the Offering Period.

8. **Exercise of Option.**

a. Unless a participant withdraws from the Purchase Plan as provided in Section 10 hereof, his or her option for the purchase of Shares shall be exercised

automatically on the Exercise Date, and the maximum number of full Shares subject to option shall be purchased for such participant at the applicable Purchase Price with the accumulated contributions in his or her account. No fractional Shares shall be purchased; any contributions accumulated in a participant's account immediately following the most recent Exercise Date that are not sufficient to purchase a full share shall be returned to the participant after such Exercise Date. Any other monies left over in a participant's account after the Exercise Date shall be returned to the participant. During a participant's lifetime, a participant's option to purchase Shares hereunder is exercisable only by him or her.

b. If the Board determines that, on a given Exercise Date, the number of Shares with respect to which options are to be exercised may exceed (i) the number of Shares that were available for sale under the Purchase Plan on the Enrollment Date of the applicable Offering Period, or (ii) the number of Shares available for sale under the Purchase Plan on such Exercise Date, the Board may in its sole discretion (x) provide that the Company shall make a pro rata allocation of the Shares available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Exercise Date, and continue all Offering Periods then in effect, or (y) provide that the Company shall make a pro rata allocation of the Shares available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Exercise Date, and terminate any or all Offering Periods then in effect pursuant to Section 18 hereof. The Company may make pro rata allocation of the Shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional Shares for issuance under the Purchase Plan by the Company's stockholders subsequent to such Enrollment Date.

9. **Delivery; Brokerage Accounts or Purchase Plan Share Accounts.**

a. As promptly as practicable after each Exercise Date on which a purchase of Shares occurs, the Company shall arrange the delivery to each participant, as appropriate, of a certificate or the electronic equivalent representing the Shares purchased upon exercise of his or her option.

b. By enrolling in the Purchase Plan, each participant will be deemed to have authorized the establishment of a brokerage account on his or her behalf at a securities brokerage firm selected by the Board. Alternatively, the Board may provide for Purchase Plan share accounts for each participant to be established by the Company or by an outside entity selected by the Board which is not a brokerage firm. Shares of Common Stock purchased by a participant pursuant to the Purchase Plan will be held in the participant's brokerage or Purchase Plan share account. The Company may require that Shares be retained in such brokerage or Purchase Plan share account for a designated period of time, and/or may establish procedures to permit tracking of dispositions of the Shares.

10. **Withdrawal.**

a. A participant may withdraw all but not less than all the contributions credited to his or her account and not yet used to exercise his or her option under the Purchase Plan at any time by giving written notice to the Company by submitting the appropriate form online through the Company's designated Purchase Plan broker or to the Company. A notice of withdrawal must be received no later than the last day of the month immediately preceding the month of the Exercise Date or by such other deadline as may be prescribed by the Board. All of the participant's contributions credited to his or her account shall be paid to such participant, without the payment of interest unless required by Applicable Law, promptly after receipt of notice of withdrawal and such participant's option for the Offering Period shall be automatically terminated, and no further contributions for the purchase of Shares shall be made for such Offering Period commencing with the payroll period immediately following the effective date of the notice of withdrawal. If a participant withdraws from an Offering Period, contributions may not resume at the beginning of the succeeding Offering Period unless the participant elects to participate in the Offering Period in accordance with the procedures set forth in Section 5(a).

b. A participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws.

11. **Termination of Option.**

a. Upon a participant's ceasing to be an Employee, for any reason, he or she shall be deemed to have elected to withdraw from the Purchase Plan and the contributions credited to such participant's account during the Offering Period but not yet used to exercise the option shall be refunded without payment of interest unless required by Applicable Law to such participant or, in the case of his or her death, to the Participant's estate, and such participant's option shall be automatically terminated.

b. Subject to the discretion of the Board, if a participant is granted a leave of absence, any payroll deductions that are made on behalf of the participant during the leave of absence will continue and any contributions credited to the participant's account may be used to purchase Shares as provided under the Purchase Plan. Where the period of leave exceeds three (3) months and the participant's right to reemployment is not guaranteed by statute or by contract, for purposes of the Purchase Plan, the employment relationship will be deemed to have terminated three (3) months and one (1) day following the commencement of such leave.

c. Unless otherwise determined by the Board or required by Applicable Law, a participant whose employment transfers or whose employment terminates with an immediate rehire (with no break in service) by or between the Company or a Designated Company will not be treated as having terminated employment for purposes of participating in the Purchase Plan or an Offering Period; *provided, however*, that if a participant transfers from an offering granted under the Code Section 423(b) Plan to an offering granted under a Non-423(b) Plan, the exercise of the participant's option will be qualified under the offering granted under the Code Section 423(b) Plan only to the extent that such exercise complies with Section 423 of the Code. If a participant transfers from an

offering granted under the Non-423(b) Plan to an offering granted under a Code Section 423(b) Plan, the exercise of the participant's purchase right will remain non-qualified under the offering granted under the Non-423(b) Plan. The Board may establish additional or different rules to govern transfers of employment for purposes of participation in the Purchase Plan or an offering, consistent with the applicable requirements of Section 423 of the Code.

d. **Interest.** No interest shall accrue on the payroll deductions of a participant in the Purchase Plan, unless required by Applicable Law.

12. **Stock.**

a. Subject to adjustment upon changes in capitalization of the Company as provided in Section 17 hereof taking place after the date of this Purchase Plan, the maximum number of Shares which shall be made available for sale under the Purchase Plan shall be 24,467,426 Shares, which consists of (i) 1,000,000 Shares that were initially reserved under the Purchase Plan and (ii) 23,467,426, representing the number of Shares by which the reserve was increased pursuant to share automatic increases provided under the terms of the Purchase Plan between the date that the Purchase Plan was initially adopted and 2010. For the avoidance of doubt, up to the maximum number of Shares reserved under this Section 12 may be used to satisfy purchases of Shares under offerings granted pursuant to the Section 423(b) Plan and any remaining portion of such maximum number of Shares may be used to satisfy purchases of Shares under offerings granted pursuant to the Non-423(b) Plan.

b. Shares issuable pursuant to the Purchase Plan may be authorized but unissued Shares, treasury Shares or Shares purchased in the open market.

c. The participant shall have no interest or voting right in Shares covered by his option until such option has been exercised.

d. Shares of Common Stock to be delivered to a participant under the Purchase Plan shall be registered in the name of the participant or in the name of the participant and his or her spouse.

e. All share numbers in this Section 12 give effect to a two-for-one stock split of Common Stock that became effective on September 22, 2008.

13. **Administration.**

a. The Purchase Plan shall be administered by the Board or a committee of members of the Board appointed by the Board. Subject to Applicable Law, no member of the Board or any committee to whom authority is delegated (or its delegates) will be liable for any good faith action or determination made in connection with the operation, administration or interpretation of the Purchase Plan. In the performance of its responsibilities with respect to the Plan, the Board will be entitled to rely upon, and no member of the Board will be liable for any action taken or not taken in reliance upon, information and/or advice furnished by the Company's officers or employees, the Company's accountants, the Company's counsel and any other party that the Committee deems necessary.

b. The Board will have full power and authority to administer the Purchase Plan, including, without limitation, the authority to (i) construe, interpret, reconcile any inconsistency in, correct any default in and supply any omission in, and apply the terms of

the Purchase Plan and any enrollment form or other instrument or agreement relating to the Purchase Plan, (ii) determine eligibility and adjudicate all disputed claims filed under the Purchase Plan, including whether Employees will participate in an offering granted under the Section 423(b) Plan or an offering granted under the Non-423(b) Plan and which Subsidiaries and Affiliates of the Company will be Designated Companies participating in either offering granted under the Section 423(b) Plan or an offering granted under the Non-423(b) Plan (within the limits of the Purchase Plan), (iii) determine the terms and conditions of any right to purchase Shares under the Purchase Plan, (iv) establish, amend, suspend or waive such rules and regulations and appoint such agents as it deems appropriate for the proper administration of the Purchase Plan, (v) amend an outstanding right to purchase Shares, including any amendments to a right that may be necessary for purposes of effecting a transaction contemplated under Section 17 hereof (including, but not limited to, an amendment to the class or type of stock that may be issued pursuant to the exercise of a right or the Purchase Price applicable to a right), provided that the amended right otherwise conforms to the terms of the Purchase Plan, and (vi) make any other determination and take any other action that the Board deems necessary or desirable for the administration of the Purchase Plan, including, without limitation, the adoption of any such rules, procedures, agreements, appendices, or sub-plans (collectively, "Sub-Plans") as are necessary or appropriate to permit the participation in the Purchase Plan by employees who are foreign nationals or employed outside the United States, as further set forth in Section 13(c) below.

c. Notwithstanding any provision to the contrary in this Purchase Plan, the Board may adopt such Sub-Plans relating to the operation and administration of the Purchase Plan to accommodate local laws, customs and procedures for jurisdictions outside of the United States, the terms of which Sub-Plans may take precedence over other provisions of this Purchase Plan, with the exception of Section 12 hereof, but unless otherwise superseded by the terms of such Sub-Plan, the provisions of this Purchase Plan will govern the operation of such Sub-Plan. To the extent inconsistent with the requirements of Section 423, any such Sub-Plan will be considered part of an offering granted under the Non-423(b) Plan, and purchase rights granted thereunder will not be required by the terms of the Purchase Plan to comply with Section 423 of the Code. Without limiting the generality of the foregoing, the Plan is authorized to adopt Sub-Plans for particular non-U.S. jurisdictions that modify the terms of the Purchase Plan to meet applicable local requirements, customs or procedures regarding, without limitation, (i) eligibility to participate, (ii) the definition of Compensation, (iii) the dates and duration of Offering Periods or other periods during which participants may make contributions towards the purchase of Shares, (iv) the method of determining the Purchase Price and the discount from Fair Market Value at which Shares may be purchased, (v) any minimum or maximum amount of contributions a participant may make in an Offering Period or other specified period under the applicable Sub-Plan, (vi) the treatment of purchase rights upon a change in control of or other transaction involving, the Company or a change in capitalization of the Company, (vii) the handling of payroll deductions and the methods for making contributions by means other than payroll deductions, (viii) establishment of bank, building society or trust accounts to hold contributions, (ix) payment of interest, (x) conversion of local currency, (xi) obligations to pay payroll tax, (xii) determination of beneficiary designation requirements, (xiii) withholding procedures, and (xiv) handling of Share issuances.

d. Every finding, decision and determination made by the Board or its committee shall, to the full extent permitted by Applicable Law, be final and binding upon all parties and any enrollment form or other instrument or agreement relating to the Purchase Plan will be made in the Board's sole discretion and will be final, binding and conclusive for all purposes and upon all interested persons.

e. To the extent not prohibited by Applicable Law, the Board may, from time to time, delegate some or all of its authority under the Purchase Plan to a subcommittee or subcommittees of the Board, to one or more officers of the Company, or to other persons or groups of persons as it deems necessary, appropriate or advisable under conditions or limitations that it may set at or after the time of the delegation. For purposes of the Purchase Plan, reference to the Board will be deemed to include any Committee or subcommittee, subcommittees, or other persons or groups of persons to whom the Board or the Committee delegates authority pursuant to this Section 13(e).

14. **Transferability.** Neither contributions credited to a participant's account nor any rights with regard to the exercise of an option or to receive Shares under the Purchase Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will or the laws of descent and distribution) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

15. **Use of Funds.** All contributions received or held by the Company under the Purchase Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such contributions, unless required by Applicable Law.

16. **Reports.** Individual accounts shall be maintained for each participant in the Purchase Plan. Statements of account shall be given to participating Employees at least annually, which statements shall set forth the amounts of contributions, the Purchase Price, the number of Shares purchased and the remaining cash balance, if any.

17. **Adjustments Upon Changes in Capitalization, Dissolution, Liquidation, Merger or Asset Sale.**

a. **Changes in Capitalization.** Subject to any required action by the stockholders of the Company, the maximum number of Shares or type of securities available for issuance pursuant to the Purchase Plan, the maximum number of Shares each participant may purchase each Purchase Period (pursuant to Section 7), as well as the price per share and the number of Shares and type of securities covered by each option under the Purchase Plan which has not yet been exercised shall be proportionately adjusted for any change affecting the number, class, value or terms of the Shares resulting from a recapitalization, stock split, reverse stock split, stock dividend, spinoff, split up, combination, reclassification or exchange of the Common Stock, merger, consolidations, rights offering, separation, reorganization or liquidation or any other change in corporate structure or the Common Stock, including any extraordinary dividend or other distribution (but excluding any regular cash dividend), or any other increase or decrease in the number of Shares effected without receipt of consideration by the Company; *provided, however* that conversion of any convertible securities of the Company

shall not be deemed to have been “effected without receipt of consideration.” Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an option.

b. **Dissolution or Liquidation.** In the event of the proposed dissolution or liquidation of the Company, the Offering Period then in progress shall be shortened by setting a new Exercise Date (the “New Exercise Date”), and shall terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Board. The New Exercise Date shall be before the date of the Company’s proposed dissolution or liquidation. The Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant’s option has been changed to the New Exercise Date and that the participant’s option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

c. **Merger or Asset Sale.** In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, any Purchase Periods then in progress shall be shortened by setting a new Exercise Date (the “New Exercise Date”) and any Offering Periods then in progress shall end on the New Exercise Date. The New Exercise Date shall be before the date of the Company’s proposed sale or merger. The Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant’s option has been changed to the New Exercise Date and that the participant’s option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

18. **Amendment or Termination.**

a. The Board may at any time and for any reason terminate or amend the Purchase Plan. Except as provided in Section 17, no such termination can affect options previously granted, provided that an Offering Period may be terminated by the Board immediately following any Exercise Date if the Board determines that the termination of the Offering Period or the Purchase Plan is in the best interests of the Company and its stockholders. Except as provided in Section 17 and this Section 18 hereof, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant unless such amendment is deemed necessary or desirable to facilitate compliance with Applicable Law, as determined in the sole discretion of the Board. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other Applicable Law, regulation or stock exchange rule), the Company shall obtain stockholder approval in such a manner and to such a degree as required.

b. Without stockholder consent and without regard to whether any participant rights may be considered to have been “adversely affected,” the Board shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding or contributing to the Purchase Plan in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company’s processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant’s Compensation, and establish such other limitations or procedures as the Board (or its committee) determines in its sole discretion advisable which are consistent with the Purchase Plan.

c. In the event the Board determines that the ongoing operation of the Purchase Plan may result in unfavorable financial accounting consequences, the Board may, in its discretion and, to the extent necessary or desirable, modify or amend the Purchase Plan to reduce or eliminate such accounting consequence including, but not limited to:

- i. altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;
- ii. shortening any Offering Period so that Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Board action; and
- iii. allocating Shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Purchase Plan participants.

19. **Notices.** All notices or other communications by a participant to the Company under or in connection with the Purchase Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

20. **Conditions Upon Issuance of Shares.** Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such Shares pursuant thereto shall comply with Applicable Law (including, without limitation, the completion of any registration or qualification of the Shares or obtaining any approval or other clearance under Applicable Law), and shall be further subject to the approval of counsel for the Company with respect to such compliance. The Company is under no obligation to register or qualify the Shares with any state or foreign securities commission, or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. If, pursuant to this Section 20, the Board determines that the Shares will not be issued to any participant, any contributions credited to such participant’s account will be promptly refunded, without interest (unless required by Applicable Law), to the participant, without any liability to the Company or any of its Subsidiaries or Affiliates.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by Applicable Law.

21. **Code Section 409A.** The Code Section 423(b) Plan is exempt from the application of Section 409A of the Code. The Non-423(b) Plan is intended to be exempt from Section 409A of the Code under the short-term deferral exception and any ambiguities shall be construed and interpreted in accordance with such intent. In the case of a participant who would otherwise be subject to Section 409A of the Code, to the extent an option to purchase Shares or the payment, settlement or deferral thereof is subject to Section 409A of the Code, the option to purchase Shares shall be granted, paid, exercised, settled or deferred in a manner that will comply with Section 409A of the Code, including the final regulations and other guidance issued with respect thereto, except as otherwise determined by the Board or a committee appointed by the Board. Notwithstanding the foregoing, the Company shall have no liability to a participant or any other party if the option to purchase Common Stock under the Purchase Plan that is intended to be exempt from or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Board with respect thereto.

22. **Term of Purchase Plan.** The Purchase Plan became effective on July 28, 2000. Unless sooner terminated by the Board, the Purchase Plan shall terminate upon the earliest to occur of (a) the date on which all Shares available for issuance under the Purchase Plan shall have been sold pursuant to options exercised under the Purchase Plan or (b) the date on which all options are exercised in connection with a dissolution or liquidation pursuant to Section 17(b) hereof or a merger or asset sale pursuant to Section 17(c) hereof. No further options shall be granted or exercised, and no further contributions shall be collected, under the Purchase Plan following such termination.

23. **Automatic Transfer to Low Price Offering Period.** To the extent permitted by any Applicable Law, regulations, or stock exchange rules if the Fair Market Value of the Common Stock on any Exercise Date in an Offering Period is lower than the Fair Market Value of the Common Stock on the Enrollment Date for that Offering Period, then all participants in such Offering Period shall be automatically withdrawn from such Offering Period immediately after the exercise of their option on such Exercise Date and automatically enrolled in the new Offering Period beginning coincident with such Exercise Date.

24. **At Will Employment.** Nothing in the Purchase Plan shall confer upon the participant any right to continue in the employ of the Company or any Subsidiary or Affiliate for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary or Affiliate employing such person) or of the participant, which rights are hereby expressly reserved by each, to terminate such person's employment at any time for any reason, with or without cause.

25. **Severability.** If any particular provision of this Purchase Plan is found to be invalid or unenforceable, such provision shall not affect the other provisions of the Purchase Plan, but the Purchase Plan shall be construed in all respects as if such invalid provision had been omitted.

26. **Governing Law.** Except to the extent that provisions of this Purchase Plan are governed by applicable provisions of the Code or any other substantive provision of federal law, this Purchase Plan shall be construed in accordance with, and shall be governed by, the substantive laws of the State of Delaware without regard to any provisions of Delaware law relating to the conflict of laws.

CERTIFICATION OF FRANCIS A. DESOUZA PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Francis A. deSouza, certify that:

- 1 I have reviewed this Quarterly Report on Form 10-Q of Illumina, Inc.;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 6, 2020

By: /s/ FRANCIS A. DESOUZA

Francis A. deSouza

President and Chief Executive Officer

CERTIFICATION OF SAM A. SAMAD PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sam A. Samad, certify that:

- 1 I have reviewed this Quarterly Report on Form 10-Q of Illumina, Inc.;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 6, 2020

By: /s/ SAM A. SAMAD

Sam A. Samad

Senior Vice President and Chief Financial Officer

**CERTIFICATION OF FRANCIS A. DESOUZA PURSUANT TO 18 U.S.C. SECTION
1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-
OXLEY ACT OF 2002**

In connection with the Quarterly Report of Illumina, Inc. (the "Company") on Form 10-Q for the quarter ended June 28, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Francis A. deSouza, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2020

By: /s/ FRANCIS A. DESOUZA

Francis A. deSouza

President and Chief Executive Officer

This certification accompanying the Report is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities such Section, and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before, on or after the date of the Report), irrespective of any general incorporation language contained in such filing.

**CERTIFICATION OF SAM A. SAMAD PURSUANT TO 18 U.S.C.
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Illumina, Inc. (the "Company") on Form 10-Q for the quarter ended June 28, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sam A. Samad, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2020

By: /s/ SAM A. SAMAD

Sam A. Samad

Senior Vice President and Chief Financial Officer

This certification accompanying the Report is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities such Section, and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before, on or after the date of the Report), irrespective of any general incorporation language contained in such filing.