Q2 2022 Earnings Presentation

August 11, 2022

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Francis deSouza

President &
Chief Executive Officer

Joydeep Goswami

Chief Strategy &
Corporate Development
Officer and Interim
Chief Financial Officer

Salli Schwartz

Head of
Investor Relations

Cautionary Notes on Forward Looking Statements

This release may contain forward-looking statements that involve risks and uncertainties. Among the important factors to which our business is subject that could cause actual results to differ materially from those in any forward-looking statements are: (i) the impact to our business and operating results of the COVID-19 pandemic; (ii) challenges inherent in developing, manufacturing, and launching new products and services, (iii) our ability to further develop and commercialize our instruments, consumables, and products, including Galleri, the cancer screening test developed by GRAIL; (iv) the risks and costs associated with the integration of, and our ability to integrate, GRAIL's business successfully to achieve anticipated synergies, including the restrictions on integration while we are subject to the European Commission's order to keep GRAIL separate from us; (v) the risk that disruptions from the consummation of our recent acquisition of GRAIL or any associated legal or regulatory proceedings or obligations will harm our business, including current plans and operations; (vi) potential adverse reactions or changes to business relationships resulting from the consummation of our recent acquisition of GRAIL; (vii) our ability to successfully partner with other companies and organizations to develop new products, expand markets, and grow our business, together with other factors detailed in our filings with the Securities and Exchange Commission, including our most recent filings on Forms 10-K and 10-Q, or in information disclosed in public conference calls, the date and time of which are released beforehand. We undertake no obligation, and do not intend, to update these forward-looking statements, to review or confirm analysts' expectations, or to provide interim reports or updates on the progress of the current quarter.

Francis deSouza

President &
Chief Executive Officer

Robust Sequencing Activity in Q2 2022

CONSOLIDATED RESULTS

Q2 2022 REVENUE

$1.16B

3%

Year-Over-Year Growth

5% YoY revenue growth on a constant currency basis[1]

Sequencing runs growing >15% year-over-year[2]

Terrific progress on our innovation roadmap

1. Net of the effects of hedging.
2. Reflects connected high- and mid-throughput platforms.

Sequencing Instrument Performance Q2 2022

HIGH-THROUGHPUT

23% GROWTH
YoY for NovaSeq shipments, **HALF** to clinical customers

HIGHEST SECOND QUARTER
ever for NovaSeq shipments

MID-THROUGHPUT

20% GROWTH
YoY in NextSeq 1000/2000 orders

LOW-THROUGHPUT

FLAT
YoY shipments, even with comparison to 2021 surveillance-driven volume

Continued Growth in Clinical in Q2 2022

~11%
Clinical Sequencing Consumables Shipments Growth YoY

~20%
Oncology Testing Sequencing Consumables Shipments Growth YoY

45%
TSO 550 Shipments Growth YoY

Expanded TSO Portfolio

10+
Pharma Partners

Codeveloping Cancer Companion (CDx) claims

MERCK — TSO 500 HRD Test
Using HRD technology from Myriad Genetics

BAYER — TSO Comp IVD EU Pan-Cancer Companion Diagnostic

GRAIL driving clinical evidence generation and commercial use of Galleri®

New Partnerships

Health Systems	MERCYHEALTH; Ochsner Health
Companion Diagnostics	AstraZeneca

PATHFINDER Study

Completed final analysis to be presented at ESMO Congress

ESMO

Sept. 9-13, 2022

NHS Galleri® Trial

NHS

140,000
Participants enrolled to date

1,000,000
Participants NHS plans to roll out Galleri to by 2024, pending successful trial

NHS Long-Term Plan

Detect **3** in **4** cancers diagnosed at an early stage by 2028

Strong Momentum Across Research & Applied Markets

Infectious Disease & Microbiology

100+

Countries Sequencing Pathogens on Illumina Instruments in Genomic Surveillance Infrastructure

Global Pathogen Infrastructure

Novel Viral Surveillance Panel

Targeted sequencing for **66** critical viruses, including **monkeypox and polio**

Research & Applied Markets

PRECISE
Precision Health Research Singapore

100,000

Participants

Marks Southeast Asia's most comprehensive population study

Will gather insights into Asian genomic diversity and key genetic, social, environmental, and other factors associated with disease

Joydeep Goswami

Chief Strategy & Corporate Development Officer and Interim Chief Financial Officer

Consolidated Q2 2022 Financials

CONSOLIDATED REVENUE

$1.162B

3%
YoY Revenue Growth

5%
YoY Revenue Growth (Constant Currency)[1]

NON-GAAP METRICS

NET INCOME	GRAIL OPERATING LOSS DILUTION
$91M	$152M
DILUTED EPS	**TAX RATE**
$0.57	25.8%

Strong Sequencing Activity on Connected Instruments

15%
YoY growth in sequencing runs on connected high- and mid-throughput instruments

NON-GAAP WEIGHTED AVERAGE DILUTED SHARE COUNT

~159 Million

See Appendix for reconciliations of these GAAP and non-GAAP financial measures
1. Net of the effects of hedging

Core Illumina Q2 2022 Financials

CORE ILLUMINA REVENUE

$1.156B

3%
YoY Revenue Growth

4%
YoY Revenue Growth (Constant Currency)[1]

COVID-19 SURVEILLANCE

~$25M Sequencing Consumables

~$2M Sequencing Instruments

CORE SEQUENCING REVENUE

$744M
Sequencing Consumables

6%
YoY Revenue Growth

Driven by ~20% growth in oncology testing

$190M
Sequencing Instruments

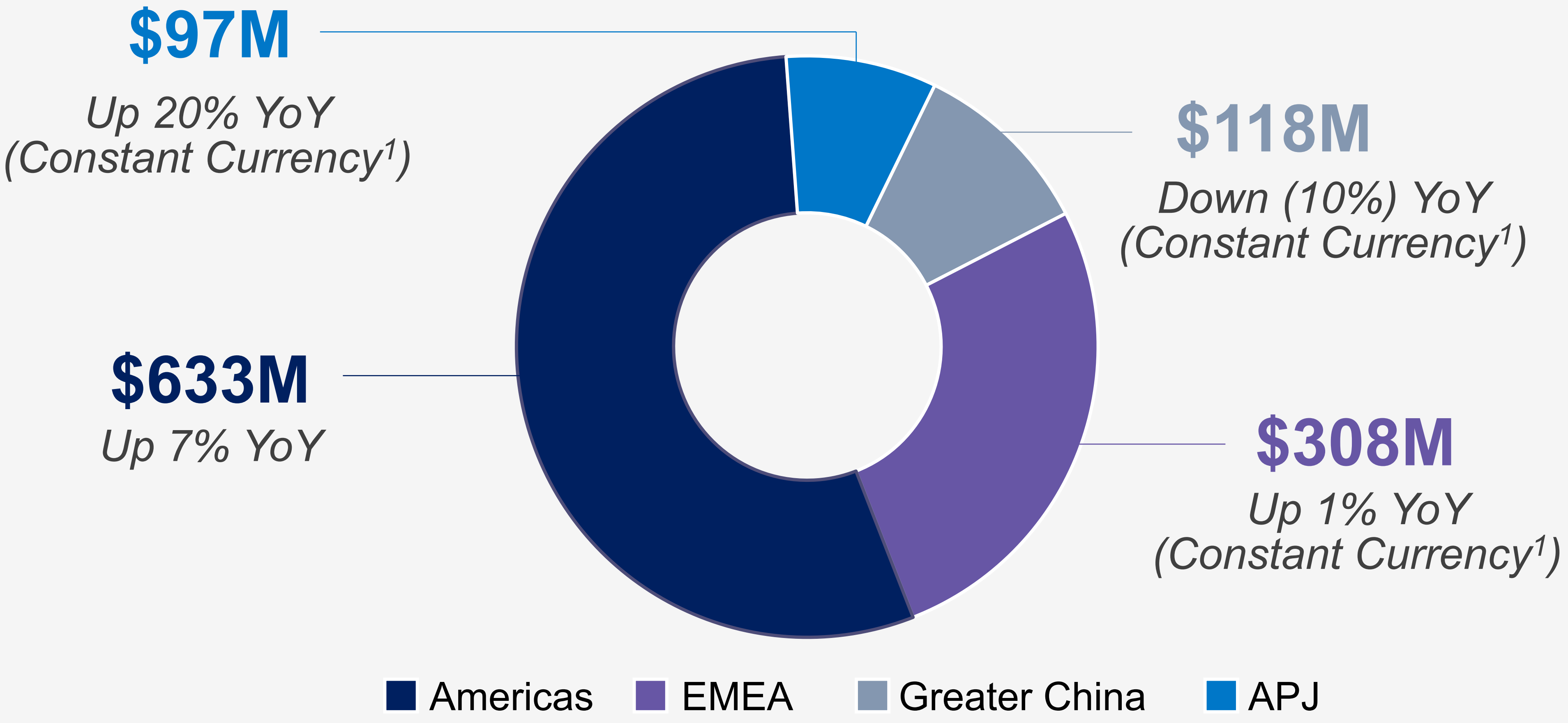
1%
YoY Revenue Growth

Driven by 23% growth in NovaSeq shipments

1. Net of the effects of hedging

Core Illumina Q2 2022 Regional Revenue

CORE ILLUMINA



1. Net of the effects of hedging

Core Illumina Q2 2022 Additional P&L Results

CORE ILLUMINA

69.8%

Non-GAAP Gross Margin

Down 200 bps year-over-year due to less fixed cost leverage, Q1'21 litigation settlement and higher freight costs

$519M

Non-GAAP Operating Expenses

▲$48M YEAR-OVER-YEAR

Primarily due to headcount growth and R&D investments

LOWER THAN EXPECTED

Due to lower performance-based compensation and cost containment initiatives

See Appendix for reconciliations of these GAAP and non-GAAP financial measures

GRAIL Q2 2022 Financial Results

Revenue	$12M	• Consisted primarily of **Galleri® test fees**
Non-GAAP Operating Expenses	$156M	• Consisted primarily of **expenses related to headcount and clinical trials** • **Lower than expected** due to G&A cost management

See Appendix for reconciliations of these GAAP and non-GAAP financial measures

Cash Flow and Balance Sheet Items Q2 2022

FREE CASH FLOW

$54M

Cash flow from operations was $125M

DSO

50 Days	Q2 2022
46 Days	Q1 2022

CAPITAL EXPENDITURES

$71M

QUARTER-END CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

~$1.3B

See Appendix for reconciliations of these GAAP and non-GAAP financial measures

Revised Guidance for Full Year 2022

Consolidated Revenue Growth[1]
4%-5%

Non-GAAP Operating Margin
11.5%-12.0%

Non-GAAP EPS[2]
$2.75-$2.90

COVID-19 Surveillance Revenue
$110M-$130M

Non-GAAP Tax Rate[3]
~14%

NON-GAAP Diluted Shares Outstanding
~159M

GRAIL

Revenue
$50M-$70M

CORE ILLUMINA

Revenue Growth[4]
3.5%-4.5%

Sequencing Growth[4]
4.5%

Seq. Consumables[5]: ~5%
Seq. Instruments[5]: ~1.5%

Non-GAAP Operating Margin
24.5%-25%

[1]Growth rates are year-over-year.
[2]Reflects an estimated $610M non-GAAP operating loss from GRAIL, in line with previous expectations.
[3]Assume that the R&D expense capitalization requirements implemented by the Tax Cuts and Jobs Act of 2017 will be repealed or deferred in Q4.
[4]Includes intercompany revenue of ~$25M at the midpoint of revenue guidance, which is removed on a consolidated basis.
[5]At midpoint of revenue guidance.
Note: See Appendix for reconciliations of these GAAP and non-GAAP financial measures.

Announced Q3 2022 Guidance

REVENUE GROWTH	
CONSOLIDATED	
Flat to +1% from Q3 2021	

NON-GAAP OPERATING MARGIN	
CONSOLIDATED	CORE
~5%	~20%

NON-GAAP TAX RATE

~22%

NON-GAAP DILUTED SHARES OUTSTANDING

~159M

See Appendix for reconciliations of these GAAP and non-GAAP financial measures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2022 Investor Day

Monday, October 3, 2022
San Diego, CA

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OUR MISSION

Improve human health by unlocking the power of the genome

BEST PLACES TO WORK for LGBTQ+ Equality 2022
HUMAN RIGHTS CAMPAIGN FOUNDATION
100% CORPORATE EQUALITY INDEX

WSJ MANAGEMENT TOP 250

FORTUNE CHANGE THE WORLD 2021

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Bloomberg Gender-Equality Index 2022

America's Most Responsible Companies 2022
Newsweek
statista

America's Most JUST Companies
CNBC 2022

Appendix

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Three Months Ended July 4, 2021					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (b)	$ 802	71.2 %	$ —	$ —	$ 802	71.2 %
Amortization of acquired intangible assets	7	0.6 %	—	—	7	0.6 %
Non-GAAP gross profit **(a)**	$ 809	71.8 %	$ —	$ —	$ 809	71.8 %
GAAP and non-GAAP R&D expense	$ 202	18.0 %	$ —	$ —	$ 202	18.0 %
GAAP SG&A expense	$ 413	36.6 %	$ —	$ —	$ 413	36.6 %
Acquisition-related expenses **(f)**	(145)	(13.0)%	—	—	(145)	(13.0)%
Expenses related to COVID-19 **(c)**	(1)	—	—	—	(1)	—
Gain on litigation **(h)**	2	0.2 %	—	—	2	0.2 %
Non-GAAP SG&A expense	$ 269	23.8 %	$ —	$ —	$ 269	23.8 %
GAAP operating profit	$ 187	16.6 %	$ —	$ —	$ 187	16.6 %
Cost of revenue	7	0.6 %	—	—	7	0.6 %
SG&A costs	144	12.8 %	—	—	144	12.8 %
Non-GAAP operating profit **(a)**	$ 338	30.0 %	$ —	$ —	$ 338	30.0 %
GAAP other income, net	$ 20	1.8 %	$ —	$ —	$ 20	1.8 %
Strategic investment related gain, net **(i)**	(25)	(2.2)%	—	—	(25)	(2.2)%
Gain on Helix contingent value right **(j)**	(8)	(0.7)%	—	—	(8)	(70.0)%
Non-cash interest expense **(k)**	10	0.9 %	—	—	10	0.9 %
Loss on extinguishment of debt **(n)**	1	—	—	—	1	—
Non-GAAP other expense, net	$ (2)	(0.2)%	$ —	$ —	$ (2)	(0.2)%

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

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

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

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

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

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

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

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

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

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

Illumina, Inc.

Results of Operations - Non-GAAP (continued)

(Dollar in millions)

(unaudited)

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

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

(a) Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed in Table 2 above.
(b) Amount represents the difference between book and tax accounting related to stock-based compensation cost.
(c) Amount represents the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.

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

Our future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect our financial results are stated above in this press release. More information on potential factors that could affect our financial results is included from time to time in the public reports filed with the Securities and Exchange Commission, including Form 10-K for the fiscal year ended January 2, 2022 filed with the SEC on February 18, 2022, and Form 10-Q for the fiscal quarter ended April 3, 2022. We assume no obligation to update any forward-looking statements or information.

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

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

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

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

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

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

(a) Constant currency revenue growth, which is a non-GAAP financial measure, is calculated using comparative prior period foreign exchange rates to translate current period revenue, net of the effects of hedges.
(b) Region includes revenue from China, Taiwan, and Hong Kong.

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

Our future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect our financial results are included from time to time in the public reports filed with the Securities and Exchange Commission, including Form 10-K for the fiscal year ended January 2, 2022 filed with the SEC on February 18, 2022, and Form 10-Q for the fiscal quarter ended April 3, 2022. We assume no obligation to update any forward-looking statements or information. We assume no obligation to update any forward-looking statements or information.

RECONCILIATION BETWEEN GAAP AND NON-GAAP OPERATING MARGIN GUIDANCE:

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

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

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

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

(a) Non-GAAP operating margin excludes the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing past and future operating performance, including in the non-GAAP measure related to our Core Illumina segment.
(b) Amount consists of damages awarded to us (preliminary gain contingency) from previous litigation with BGI that will be settled in Q3 2022 as a result of the settlement agreement we executed with BGI on July 14, 2022.
(c) Amounts consist of legal accruals recorded in Q2 2022, including an accrual of $453 million for the potential fine that the European Commission may impose on us of up to 10% of our consolidated annual revenues and an estimated accrual of $156 million related to the settlement of our litigation with BGI in July 2022.
(d) Amount consists primarily of legal expenses related to our acquisition of GRAIL.
(e) Amount consists of fair value adjustment for our contingent consideration liability related to the GRAIL acquisition.

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

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

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

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

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

RECONCILIATION BETWEEN GAAP AND NON-GAAP TAX RATE GUIDANCE:

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

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

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