

**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 March 31, 2024

☐ **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 Stock Market LLC

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 ☐

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 April 26, 2024, there were 159.3 million shares of the registrant's common stock outstanding.

ILLUMINA, INC.
FORM 10-Q
FOR THE FISCAL QUARTER ENDED MARCH 31, 2024
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	6
Condensed Consolidated Statements of Operations	7
Condensed Consolidated Statements of Comprehensive Loss	8
Condensed Consolidated Statements of Stockholders' Equity	9
Condensed Consolidated Statements of Cash Flows	11
Notes to Condensed Consolidated Financial Statements	12
1. Organization and Significant Accounting Policies	12
2. Revenue	13
3. Investments and Fair Value Measurements	14
4. Debt	16
5. Stockholders' Equity	18
6. Supplemental Balance Sheet Details	20
7. Legal Proceedings	22
8. Income Taxes	26
9. Segment Information	27
 MANAGEMENT'S DISCUSSION & ANALYSIS	
Management's Overview and Outlook	28
Results of Operations	30
Liquidity and Capital Resources	33
Critical Accounting Policies and Estimates	36
Recent Accounting Pronouncements	36
Quantitative and Qualitative Disclosures About Market Risk	36
 OTHER KEY INFORMATION	
Controls and Procedures	36
Legal Proceedings	36
Risk Factors	37
Share Repurchases and Sales	40
Adoptions, Modifications or Terminations of Trading Plans	40
Exhibits	41
Form 10-Q Cross-Reference Index	42

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. 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;
- the benefits that we expect will result from our business activities and certain transactions we have completed, or may complete, 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 ability to successfully implement cost reduction plans in a timely manner and the possibility that costs associated with our cost reduction plans are greater than we anticipate;
- our expectations regarding the pending divestiture of GRAIL, LLC (f/k/a GRAIL, Inc.) (GRAIL);
- the transitional measures imposed by the European Commission in connection with our acquisition of GRAIL, the duration and impact of such measures on Illumina and GRAIL, and the appointment of a monitoring trustee to monitor our compliance with such measures;
- the prohibition decision adopted by the European Commission on September 6, 2022 (the Prohibition Decision), informing us of its decision to prohibit our acquisition of GRAIL, and the decision adopted by the European Commission on October 12, 2023, requiring us to (among other things) divest GRAIL and imposing transitional measures (the EC Divestment Decision);
- any future order issued by the Federal Trade Commission (FTC) requiring us to, among other things, divest GRAIL and to hold GRAIL separate through the completion of the divestiture;
- the Article 14(2)(b) fine imposed by the European Commission on July 12, 2023; 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:

- 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;
- risks and uncertainties regarding legal and regulatory proceedings, including the failure to obtain or delays in obtaining the required regulatory approvals or clearances including for the divestiture of GRAIL and other actions that have been or may be taken or pursued by the European Commission, the FTC and/or other governmental or regulatory authorities in connection with such acquisition;
- the burdensome transitional measures and hold separate requirements imposed by the European Commission, the duration and impact of these requirements on Illumina and GRAIL (which may include additional costs or liabilities, loss of revenue and other adverse effects on our business, financial condition and results of operations), the administration of these requirements by an appointed monitoring trustee and the risk that the European Commission could impose or seek to impose additional fines and other penalties for alleged noncompliance with these requirements;
- the EC Divestment Decision and any future FTC order, which may each adversely affect us and our business, including current plans and operations, financial condition and results of operations, each requiring us to divest GRAIL and to hold GRAIL separate through the completion of the divestiture, the terms and conditions thereof (including with respect to a divestiture of GRAIL), and the timing of and the risks, costs and business disruptions (including the diversion of management's attention) associated with such divestiture and/or any related appeals, the implementation thereof or any associated legal or regulatory proceedings or obligations, including any related appeals, and other uncertainties related to our compliance (or ability to comply) with each of the EC Divestment Decision and any future FTC order, which may adversely affect us and our business, including current plans and operations, financial condition and results of operations;
- risks associated with contracts or other agreements containing provisions that might be implicated by any divestiture of GRAIL or other aspects of the EC Divestment Decision, including our ability to fully realize the anticipated economic benefits of our commercial arrangements with GRAIL and our obligations with respect to contingent value rights (the CVRs) issued by us in connection with the GRAIL acquisition and the risk that we will be unable to fully discharge such obligations in connection with a divestiture of GRAIL, that a divestiture will result in a change in obligor on the CVRs and/or of other consequences related thereto, which may adversely affect us and our business and/or the market value of the CVRs;
- our ability to satisfy the necessary conditions to consummate the divestiture of GRAIL on a timely basis or at all, due to the requirements under the EC Divestment Decision;
- the risks and costs associated with the divestiture of GRAIL;
- the risk of adverse effects resulting from additional potential litigation associated with the acquisition of GRAIL, such as additional legal, financial advisory, regulatory and other professional services fees;
- the risk of additional litigation arising against us in connection with the GRAIL acquisition;
- 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, as well as the cost and potential diversion of management resources associated with these proceedings;
- uncertainty, or adverse economic and business conditions, including as a result of slowing or uncertain economic growth, public health crisis, or armed conflict; and
- other factors detailed in our filings with the Securities and Exchange Commission (SEC), including the risks, uncertainties, and assumptions described in "Risk Factors" within the Business & Market Information section of our Annual Report on [Form 10-K](#) for the fiscal year ended December 31, 2023, the "Risk Factors" section below, or in information disclosed in public conference calls, the date and time of which are released beforehand.

Any forward-looking statement made by us in this Quarterly Report on Form 10-Q is based only on information currently available to us and speaks only as of the date on which it is made. 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)

	March 31, 2024 (Unaudited)	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,108	\$ 1,048
Accounts receivable, net	635	734
Inventory, net	584	587
Prepaid expenses and other current assets	256	240
Total current assets	2,583	2,609
Property and equipment, net	964	1,007
Operating lease right-of-use assets	550	544
Goodwill	2,545	2,545
Intangible assets, net	2,940	2,993
Other assets	458	413
Total assets	<u>\$ 10,040</u>	<u>\$ 10,111</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 201	\$ 245
Accrued liabilities	1,273	1,325
Total current liabilities	1,474	1,570
Operating lease liabilities	700	687
Term notes	1,490	1,489
Other long-term liabilities	642	620
Stockholders' equity:		
Common stock	2	2
Additional paid-in capital	9,658	9,555
Accumulated other comprehensive income (loss)	12	(1)
Accumulated deficit	(145)	(19)
Treasury stock, at cost	(3,793)	(3,792)
Total stockholders' equity	5,734	5,745
Total liabilities and stockholders' equity	<u>\$ 10,040</u>	<u>\$ 10,111</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31, 2024	April 2, 2023
Revenue:		
Product revenue	\$ 876	\$ 922
Service and other revenue	200	165
Total revenue	1,076	1,087
Cost of revenue:		
Cost of product revenue	255	285
Cost of service and other revenue	106	99
Amortization of acquired intangible assets	48	48
Total cost of revenue	409	432
Gross profit	667	655
Operating expense:		
Research and development	339	341
Selling, general and administrative	439	378
Total operating expense	778	719
Loss from operations	(111)	(64)
Other income (expense):		
Interest income	12	17
Interest expense	(18)	(20)
Other income (expense), net	8	(11)
Total other income (expense), net	2	(14)
Loss before income taxes	(109)	(78)
Provision (benefit) for income taxes	17	(81)
Net (loss) income	\$ (126)	\$ 3
(Loss) earnings per share:		
Basic	\$ (0.79)	\$ 0.02
Diluted	\$ (0.79)	\$ 0.02
Shares used in computing (loss) earnings per share:		
Basic	159	158
Diluted	159	158

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31, 2024	April 2, 2023
Net (loss) income	\$ (126)	\$ 3
Unrealized gain (loss) on cash flow hedges, net of deferred tax	13	(4)
Total comprehensive loss	<u>\$ (113)</u>	<u>\$ (1)</u>

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Retained Earnings	Treasury Stock		Total Stockholders'
	Shares	Amount	Capital	Income (Loss)	(Accumulated Deficit)	Shares	Amount	Equity
Balance as of January 1, 2023	198	\$ 2	\$ 9,207	\$ 3	\$ 1,142	(40)	\$ (3,755)	\$ 6,599
Net income	—	—	—	—	3	—	—	3
Unrealized loss on cash flow hedges, net of deferred tax	—	—	—	(4)	—	—	—	(4)
Issuance of common stock, net of repurchases	—	—	37	—	—	—	(9)	28
Share-based compensation	—	—	67	—	—	—	—	67
Balance as of April 2, 2023	198	2	9,311	(1)	1,145	(40)	(3,764)	6,693
Net loss	—	—	—	—	(234)	—	—	(234)
Unrealized gain on cash flow hedges, net of deferred tax	—	—	—	13	—	—	—	13
Issuance of common stock, net of repurchases	—	—	—	—	—	—	(3)	(3)
Share-based compensation	—	—	77	—	—	—	—	77
Reclassification of liability-classified awards	—	—	9	—	—	—	—	9
Balance as of July 2, 2023	198	2	9,397	12	911	(40)	(3,767)	6,555
Net loss	—	—	—	—	(754)	—	—	(754)
Unrealized gain on cash flow hedges, net of deferred tax	—	—	—	9	—	—	—	9
Issuance of common stock, net of repurchases	—	—	30	—	—	—	(2)	28
Share-based compensation	—	—	60	—	—	—	—	60
Balance as of October 1, 2023	198	2	9,487	21	157	(40)	(3,769)	5,898
Net loss	—	—	—	—	(176)	—	—	(176)
Unrealized loss on cash flow hedges, net of deferred tax	—	—	—	(22)	—	—	—	(22)
Issuance of common stock, net of repurchases	1	—	(3)	—	—	—	(23)	(26)
Share-based compensation	—	—	71	—	—	—	—	71
Balance as of December 31, 2023	199	\$ 2	\$ 9,555	\$ (1)	\$ (19)	(40)	\$ (3,792)	\$ 5,745

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance as of December 31, 2023	199	\$ 2	\$ 9,555	\$ (1)	\$ (19)	(40)	\$ (3,792)	\$ 5,745
Net loss	—	—	—	—	(126)	—	—	(126)
Unrealized gain on cash flow hedges, net of deferred tax	—	—	—	13	—	—	—	13
Issuance of common stock, net of repurchases	—	—	36	—	—	—	(1)	35
Share-based compensation	—	—	67	—	—	—	—	67
Balance as of March 31, 2024	199	\$ 2	\$ 9,658	\$ 12	\$ (145)	(40)	\$ (3,793)	\$ 5,734

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31, 2024	April 2, 2023
Cash flows from operating activities:		
Net (loss) income	\$ (126)	\$ 3
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation expense	59	57
Amortization of intangible assets	49	50
Share-based compensation expense	96	93
Deferred income taxes	(24)	(17)
Property and equipment and right-of-use asset impairment	32	—
Net (gains) losses on strategic investments	(5)	16
Gain on Helix contingent value right	(3)	(3)
Change in fair value of contingent consideration liabilities	16	(1)
Other	9	7
Changes in operating assets and liabilities:		
Accounts receivable	90	1
Inventory	4	(18)
Prepaid expenses and other current assets	(23)	(17)
Operating lease right-of-use assets and liabilities, net	(7)	(5)
Other assets	(6)	2
Accounts payable	(37)	(46)
Accrued liabilities	(53)	(123)
Other long-term liabilities	6	11
Net cash provided by operating activities	77	10
Cash flows from investing activities:		
Purchases of property and equipment	(36)	(52)
Purchases of strategic investments	(12)	(3)
Cash paid for intangible asset	—	(1)
Net cash used in investing activities	(48)	(56)
Cash flows from financing activities:		
Debt issuance costs paid for credit facility	—	(1)
Payments on financing obligations	—	(500)
Taxes paid related to net share settlement of equity awards	(1)	(9)
Proceeds from issuance of common stock	36	37
Net cash provided by (used in) financing activities	35	(473)
Effect of exchange rate changes on cash and cash equivalents	(4)	2
Net increase (decrease) in cash and cash equivalents	60	(517)
Cash and cash equivalents at beginning of period	1,048	2,011
Cash and cash equivalents at end of period	\$ 1,108	\$ 1,494

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,” the “Company,” “we,” “us,” 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.

On August 18, 2021, we acquired GRAIL, a healthcare company focused on early detection of multiple cancers. The acquisition is subject to ongoing legal proceedings, and, currently, GRAIL must be held and operated separately and independently from Illumina pursuant to the transitional measures ordered by the European Commission in the EC Divestment Decision, following the prohibition of our acquisition of GRAIL on September 6, 2022. On December 17, 2023, we announced that we will divest GRAIL, and on April 12, 2024, the European Commission formally approved our divestment plan with respect to GRAIL, which had been submitted pursuant to the EC Divestment Decision. Refer to note [“7. Legal Proceedings”](#) for additional details.

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 31, 2023, 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 macroeconomic factors such as inflation, exchange rates fluctuations and concerns about an economic downturn present additional uncertainty, we continue to use the best information available to form our critical accounting estimates. Actual results could differ from those estimates.

The unaudited condensed consolidated financial statements include our accounts, our wholly-owned subsidiaries, and majority-owned or controlled companies. 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 Q1 2024 and Q1 2023 refer to the three months ended March 31, 2024 and April 2, 2023, respectively, which were both 13 weeks.

Significant Accounting Policies

During Q1 2024, 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 31, 2023, with the exception of the following for income taxes:

Other than in Q2 2023, we historically calculated the provision/(benefit) for income taxes for interim periods utilizing an estimated annual effective tax rate applied to the income/(loss) for the reporting period. In accordance with the authoritative guidance for accounting for income taxes in interim periods, we concluded for Q1 2024 that it was appropriate to determine the provision for income taxes utilizing the year-to-date effective tax rate method. Since minor changes in the estimated income/(loss) before income taxes would result in significant changes in the estimated annual effective tax rate, we determined the year-to-date effective tax rate method would provide a more reliable estimate of the provision for income taxes for Q1 2024.

Accounting Pronouncements Pending Adoption

In December 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures*. The new standard requires a company to disclose incremental segment information on an annual and interim basis, including significant segment expenses and measures of profit or loss that are regularly provided to the chief operating decision maker (CODM). The standard is effective for us beginning in fiscal year 2024 and interim periods within fiscal year 2025, with early adoption permitted. We do not expect to early adopt the new standard. We are currently evaluating the impact of ASU 2023-07 on the consolidated financial statements and related disclosures and will adopt the new standard using a retrospective approach.

In December 2023, the FASB also issued ASU 2023-09, *Income Taxes (Topic 740) - Improvements to Income Tax Disclosures*. The new standard requires a company to expand its existing income tax disclosures, specifically related to the rate reconciliation and income taxes paid. The standard is effective for us beginning in fiscal year 2025, with early adoption permitted. We do not expect to early adopt the new standard. The new standard is expected to be applied prospectively, but retrospective application is permitted. We are currently evaluating the impact of ASU 2023-09 on the consolidated financial statements and related disclosures.

(Loss) Earnings per Share

Basic (loss) earnings per share is computed based on the weighted average number of common shares outstanding during the period. Diluted (loss) earnings per share is computed based on the sum of the weighted average number of common shares and potentially dilutive common shares outstanding during the period. In loss periods, basic and diluted loss per share are identical since the effect of potentially dilutive common shares is antidilutive and therefore excluded. 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 weighted average shares used to calculate basic and diluted (loss) earnings per share:

<i>In millions</i>	Q1 2024	Q1 2023
Weighted average shares used in calculating basic (loss) earnings per share	159	158
Weighted average shares used in calculating diluted (loss) earnings per share	159	158
Antidilutive shares:		
Equity awards	3	1
Convertible senior notes	—	2
Potentially dilutive shares excluded from calculation due to antidilutive effect	3	3

2. REVENUE

Our revenue is generated from the sale of products and services. Product revenue consists of sales of instruments and consumables used in genetic analysis. Service and other revenue consists of revenue generated from

genotyping and sequencing services, instrument service contracts, development and licensing agreements, and cancer detection testing services related to the GRAIL business.

Revenue by Source

<i>In millions</i>	Q1 2024			Q1 2023		
	Sequencing	Microarray	Total	Sequencing	Microarray	Total
Consumables	\$ 691	\$ 71	\$ 762	\$ 686	\$ 78	\$ 764
Instruments	110	4	114	152	6	158
Total product revenue	801	75	876	838	84	922
Service and other revenue	178	22	200	138	27	165
Total revenue	\$ 979	\$ 97	\$ 1,076	\$ 976	\$ 111	\$ 1,087

Revenue by Geographic Area

<i>Based on region of destination (in millions)</i>	Q1 2024	Q1 2023
Americas	\$ 603	\$ 616
Europe	279	261
Greater China ⁽¹⁾	78	91
Asia-Pacific, Middle East, and Africa ⁽²⁾	116	119
Total revenue	\$ 1,076	\$ 1,087

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

⁽²⁾ Region includes revenue from Russia and Turkey.

Performance Obligations

We regularly enter into contracts with multiple performance obligations. These contracts are believed to be firm as of the balance sheet date. However, we may allow customers to make product substitutions as we launch new products. The timing of shipments depends on several factors, including agreed upon shipping schedules, which may span multiple quarters. Most performance obligations are generally satisfied within a short time frame, approximately three to six months, after the contract execution date. As of March 31, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was \$796 million, of which approximately 87% is expected to be converted to revenue in the next twelve months, approximately 9% in the following twelve months, and the remainder thereafter.

Contract Assets and Liabilities

Contract assets, which consist of revenue recognized and performance obligations satisfied or partially satisfied in advance of customer billing, were \$15 million and \$18 million as of March 31, 2024 and December 31, 2023, respectively, and were recorded in prepaid expenses and other current assets.

Contract liabilities, which consist of deferred revenue and customer deposits, as of March 31, 2024 and December 31, 2023 were \$324 million and \$329 million, respectively, of which the short-term portions of \$248 million and \$252 million, respectively, were recorded in accrued liabilities and the remaining long-term portions were recorded in other long-term liabilities. Revenue recorded in Q1 2024 included \$95 million of previously deferred revenue that was included in contract liabilities as of December 31, 2023.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Strategic Investments

Non-Marketable Equity Securities

As of March 31, 2024 and December 31, 2023, the aggregate carrying amounts of our non-marketable equity securities without readily determinable fair values, included in other assets, were \$28 million.

Revenue recognized from transactions with our strategic investees was \$2 million and \$36 million for Q1 2024 and Q1 2023, 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 \$150 million, callable through July 2029, respectively, of which \$4 million (plus recallable distributions of approximately \$10 million) and up to \$59 million, respectively, remained callable as of March 31, 2024. Our investments in the Funds are accounted for as equity-method investments. The aggregate carrying amounts of the Funds, included in other assets, were \$185 million and \$168 million as of March 31, 2024 and December 31, 2023, respectively. We recorded an unrealized gain of \$6 million and an unrealized loss of \$12 million in Q1 2024 and Q1 2023, respectively, in other income (expense), net.

Fair Value Measurements

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

In millions	March 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Money market funds (cash equivalents)	\$ 869	\$ —	\$ —	\$ 869	\$ 774	\$ —	\$ —	\$ 774
Marketable equity securities	7	—	—	7	6	—	—	6
Helix contingent value right	—	—	71	71	—	—	68	68
Deferred compensation plan assets	—	66	—	66	—	61	—	61
Total assets measured at fair value	\$ 876	\$ 66	\$ 71	\$ 1,013	\$ 780	\$ 61	\$ 68	\$ 909
Liabilities:								
Contingent consideration liabilities	\$ —	\$ —	\$ 403	\$ 403	\$ —	\$ —	\$ 387	\$ 387
Deferred compensation plan liability	—	63	—	63	—	59	—	59
Total liabilities measured at fair value	\$ —	\$ 63	\$ 403	\$ 466	\$ —	\$ 59	\$ 387	\$ 446

Our marketable equity securities, which are included in prepaid expenses and other current assets, 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.

Helix Contingent Value Right

In conjunction with the deconsolidation of Helix Holdings I, LLC (Helix) in April 2019, we received 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. We elected the fair value option to measure the contingent value right received from Helix. The fair value of the contingent value right, included in other assets, is derived using a Monte Carlo simulation. Estimates and assumptions used in the Monte Carlo simulation include probabilities related to the timing and outcome of future financing and/or liquidity events, assumptions regarding collectability and volatility, and an estimated equity value of Helix. 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. Changes in the fair value of the Helix contingent value right, included in other income (expense), net during Q1 2024 were as follows:

In millions

Balance as of December 31, 2023	\$	68
Change in estimated fair value		3
Balance as of March 31, 2024	\$	71

Contingent Consideration Liabilities

We reassess the fair value of contingent consideration related to acquisitions on a quarterly basis. Changes in the fair value of contingent consideration subsequent to the acquisition date are recognized in selling, general and administrative expense. The contingent value rights issued as part of the GRAIL acquisition entitle the holders to receive future cash payments on a quarterly basis (Covered Revenue Payments) representing a pro rata portion of certain GRAIL-related revenues (Covered Revenues) each year for a 12-year period. As defined in the [Contingent Value Rights Agreement](#), this will reflect a 2.5% payment right to the first \$1 billion of revenue each year for 12 years. Revenue above \$1 billion each year will be subject to a 9% contingent payment right during this same period. Covered Revenues for Q4 2023 and Q4 2022 were \$30 million and \$23 million, respectively, driven primarily by sales of GRAIL's Galleri test. Covered Revenue Payments relating to such periods were approximately \$284,000 and \$217,000 in Q1 2024 and Q1 2023, respectively. We use a Monte Carlo simulation to estimate the fair value of contingent consideration related to the GRAIL acquisition. Estimates and assumptions used in the Monte Carlo simulation include forecasted revenues for GRAIL, a revenue risk premium, a revenue volatility estimate, an operational leverage ratio and a counterparty credit spread. 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. The fair value of our contingent consideration liability related to GRAIL was \$403 million and \$387 million as of March 31, 2024 and December 31, 2023, respectively, of which \$401 million and \$385 million, respectively, was included in other long-term liabilities, with the remaining balances included in accrued liabilities.

Changes in the estimated fair value of our contingent consideration liabilities during Q1 2024 were as follows:

In millions

Balance as of December 31, 2023	\$	387
Change in estimated fair value		16
Balance as of March 31, 2024	\$	403

4. DEBT

Summary of Term Debt Obligations

<i>In millions</i>	March 31, 2024	December 31, 2023
Principal amount of 2025 Term Notes outstanding	\$ 500	\$ 500
Principal amount of 2027 Term Notes outstanding	500	500
Principal amount of 2031 Term Notes outstanding	500	500
Unamortized discounts and debt issuance costs	(10)	(11)
Net carrying amount of term notes, non-current	\$ 1,490	\$ 1,489
Fair value of term notes outstanding (Level 2)	\$ 1,419	\$ 1,440

Interest expense recognized on our term notes, which included amortization of debt discounts and issuance costs, was \$18 million and \$19 million in Q1 2024 and Q1 2023, respectively.

5.800% Term Notes due 2025 (2025 Term Notes) and 5.750% Term Notes due 2027 (2027 Term Notes)

In December 2022, we issued \$500 million aggregate principal amount of 2025 Term Notes and \$500 million aggregate principal amount of 2027 Term Notes. The 2025 Term Notes, which mature on December 12, 2025, and the 2027 Term Notes, which mature on December 13, 2027, accrue interest at a rate of 5.800% and 5.750% per

annum, respectively, payable semi-annually. Interest for the 2025 Term Notes is payable on June 12 and December 12 of each year, beginning on June 12, 2023. Interest for the 2027 Term Notes is payable on June 13 and December 13 of each year, beginning on June 13, 2023.

We may redeem for cash all or any portion of the 2025 or 2027 Term Notes, at our option, at any time prior to maturity. Prior to November 12, 2025 for the 2025 Term Notes and prior to November 13, 2027 for the 2027 Term Notes, the notes are redeemable at make-whole premium redemption prices as defined in the applicable forms of note. After November 12, 2025 for the 2025 Term Notes and after November 13, 2027 for the 2027 Term Notes, the notes are redeemable at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus any accrued and unpaid interest up to, but excluding, the redemption date.

2.550% Term Notes due 2031 (2031 Term Notes)

In March 2021, we issued \$500 million aggregate principal amount of 2031 Term Notes. The 2031 Term Notes, which mature on March 23, 2031, accrue interest at a rate of 2.550% per annum, payable semi-annually on March 23 and September 23 of each year. We may redeem for cash all or any portion of the 2031 Term Notes, at our option, at any time prior to maturity. Prior to December 23, 2030, the 2031 Term Notes are redeemable at make-whole premium redemption prices as defined in the applicable forms of note. After December 23, 2030, the notes are redeemable at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus any accrued and unpaid interest up to, but excluding, the redemption date.

Credit Agreement

On January 4, 2023, we entered into a new credit agreement (the Credit Agreement), which provides us with a \$750 million senior unsecured five-year revolving credit facility, including a \$40 million sublimit for swingline borrowings and a \$50 million sublimit for letters of credit (the Credit Facility). The proceeds of the loans under the Credit Facility may be used to finance working capital needs and for general corporate purposes.

The Credit Facility matures, and all amounts outstanding thereunder become due and payable in full, on January 4, 2028, subject to two one-year extensions at our option, the consent of the extending lenders and certain other conditions. We may prepay amounts borrowed and terminate commitments under the Credit Facility at any time without premium or penalty. As of March 31, 2024, there were no borrowings or letters of credit outstanding under the Credit Facility, and we were in compliance with all financial and operating covenants.

Any loans under the Credit Facility will have a variable interest rate based on either the term secured overnight financing rate or the alternate base rate, plus an applicable rate that varies with the Company's debt rating and, in the case of loans bearing interest based on the term secured overnight financing rate, a credit spread adjustment equal to 0.10% per annum. The Credit Agreement includes an option for us to elect to increase the commitments under the Credit Facility or to enter into one or more tranches of term loans in the aggregate principal amount of up to \$250 million, subject to the consent of the lenders providing the additional commitments or term loans, as applicable, and certain other conditions.

The Credit Agreement contains financial and operating covenants. Pursuant to the Credit Agreement, we are required to maintain a ratio of total debt to adjusted annual earnings before interest, taxes, depreciation and amortization (EBITDA), calculated based on the four consecutive fiscal quarters ending with the most recent fiscal quarter, of not greater than 3.50 to 1.00 as of the end of each fiscal quarter. Upon the consummation of any Qualified Acquisition (as defined in the Credit Agreement) and us providing notice to the Administrative Agent, the ratio increases to 4.00 to 1.00 for the fiscal quarter in which the acquisition is consummated and the three consecutive fiscal quarters thereafter. The operating covenants include, among other things, limitations on (i) the incurrence of indebtedness by our subsidiaries, (ii) liens on our and our subsidiaries assets, and (iii) certain fundamental changes and the disposition of assets by us and our subsidiaries. The Credit Agreement contains other customary covenants, representations and warranties, and events of default.

5. STOCKHOLDERS' EQUITY

As of March 31, 2024, approximately 5.3 million shares remained available for future grants under the 2015 Stock and Incentive Compensation 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 31, 2023	2,198	—	\$ 236.32	\$ —
Awarded	2,592	504	\$ 134.71	\$ 156.98
Vested	(17)	—	\$ 309.40	\$ —
Cancelled	(128)	(14)	\$ 223.88	\$ 167.68
Outstanding at March 31, 2024	4,645	490	\$ 179.69	\$ 156.68

⁽¹⁾ We issue three different PSU awards. We issue PSU for which the number of shares issuable is based on our performance relative to specified earnings per share targets (EPS PSU) and PSU with a market condition that vest based on the Company's relative total shareholder return as compared to a peer group of companies (rTSR PSU). In Q1 2024, we began to issue PSU for which the number of shares issuable is based on our performance relative to specified operating margin targets (OM PSU). The number of units reflect the estimated number of shares to be issued at the end of the performance period. For rTSR PSU, the number of units reflect the estimated number of shares to be issued based on performance as of the current reporting period. Awarded units are presented net of performance adjustments.

Stock Options

Stock option activity was as follows:

Units in thousands	Options	Weighted-Average Exercise Price	Performance Options ⁽¹⁾	Weighted-Average Exercise Price
Outstanding at December 31, 2023	35	\$ 330.25	16	\$ 87.74
Cancelled	(26)	\$ 330.25	—	\$ —
Outstanding at March 31, 2024	9	\$ 330.25	16	\$ 87.74
Exercisable at March 31, 2024	9	\$ 330.25	—	\$ —

⁽¹⁾ The number of units reflect awards that have been granted and for which it is assumed to be probable that the underlying performance goals will be achieved.

Liability-Classified Awards

We grant cash-based equity incentive awards to GRAIL employees. For purposes of valuation and performance measurement of the awards, GRAIL's stand-alone value calculation, as estimated by GRAIL based on its analysis and on input from independent valuation advisors and analyses, is used. The awards generally have terms of four years and vest in four equal installments on each anniversary of the grant date, subject to continued employment through the vesting period. These awards are accounted for as liability-classified awards.

Cash-based equity incentive award activity was as follows:

In millions

Outstanding at December 31, 2023	\$	292
Granted		27
Vested and paid in cash		(43)
Cancelled		(8)
Change in fair value		11
Outstanding at March 31, 2024	\$	279
Estimated liability as of March 31, 2024 (included in accrued liabilities)	\$	41

We recognized share-based compensation expense of \$29 million and \$21 million in Q1 2024 and Q1 2023, respectively. As of March 31, 2024, approximately \$238 million of total unrecognized compensation cost related to awards issued to date was expected to be recognized over a weighted-average period of approximately 2.4 years.

In connection with the acquisition of GRAIL, we assumed a performance-based award for which vesting is based on GRAIL's future revenues. The award has an aggregate potential value of up to \$78 million and expires, to the extent unvested, in August 2030. As of March 31, 2024, it was not probable that the performance conditions associated with the award will be achieved and, therefore, no share-based compensation expense, or corresponding liability, has been recognized in the condensed consolidated financial statements to-date.

Employee Stock Purchase Plan

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 Q1 2024, approximately 0.3 million shares were issued under the ESPP. As of March 31, 2024, there were approximately 12.1 million shares available for issuance under the ESPP.

The assumptions used and the resulting estimate of weighted-average fair value per share for stock purchased under the ESPP during Q1 2024 were as follows:

Risk-free interest rate	4.66% - 5.54%
Expected volatility	45% - 49%
Expected term	0.5 - 1.1 year
Expected dividends	0 %
Weighted-average grant-date fair value per share	\$ 44.95

Share Repurchases

We did not repurchase any shares during Q1 2024. As of March 31, 2024, authorizations to repurchase approximately \$15 million of our common stock remained available under the \$750 million share repurchase program authorized by our Board of Directors on February 5, 2020. The repurchases may be completed under a 10b5-1 plan or at management's discretion.

Share-Based Compensation

Share-based compensation expense, which includes expense for both equity and liability-classified awards, reported in our condensed consolidated statements of operations was as follows:

<i>In millions</i>	Q1 2024	Q1 2023
Cost of product revenue	\$ 5	\$ 6
Cost of service and other revenue	2	1
Research and development	39	38
Selling, general and administrative	50	48
Share-based compensation expense, before taxes	96	93
Related income tax benefits	(22)	(21)
Share-based compensation expense, net of taxes	\$ 74	\$ 72

As of March 31, 2024, approximately \$834 million of total unrecognized compensation cost related to restricted stock, including RSU and PSU, stock options, including performance stock options, and ESPP shares issued to date was expected to be recognized over a weighted-average period of approximately 2.9 years.

6. SUPPLEMENTAL BALANCE SHEET DETAILS

Accounts Receivable

<i>In millions</i>	March 31, 2024	December 31, 2023
Trade accounts receivable, gross	\$ 644	\$ 741
Allowance for credit losses	(9)	(7)
Total accounts receivable, net	\$ 635	\$ 734

Inventory

<i>In millions</i>	March 31, 2024	December 31, 2023
Raw materials	\$ 262	\$ 276
Work in process	405	402
Finished goods	35	30
Inventory, gross	702	708
Inventory reserve	(118)	(121)
Total inventory, net	\$ 584	\$ 587

Accrued Liabilities

<i>In millions</i>	March 31, 2024	December 31, 2023
Legal contingencies ⁽¹⁾	\$ 478	\$ 484
Contract liabilities, current portion	248	252
Accrued compensation expenses ⁽²⁾	202	223
Accrued taxes payable	67	79
Operating lease liabilities, current portion	86	86
Liability-classified equity incentive awards	41	55
Other, including warranties ⁽³⁾	151	146
Total accrued liabilities	\$ 1,273	\$ 1,325

⁽¹⁾ See note "7. Legal Proceedings" for additional details.

⁽²⁾ Includes employee separation costs related to restructuring activities.

⁽³⁾ See table below for changes in the reserve for product warranties.

Changes in the reserve for product warranties were as follows:

<i>In millions</i>	Q1 2024	Q1 2023
Balance at beginning of period	\$ 21	\$ 18
Additions charged to cost of product revenue	12	9
Repairs and replacements	(13)	(8)
Balance at end of period	<u>\$ 20</u>	<u>\$ 19</u>

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.

Restructuring

In Q2 2023, we implemented a cost reduction initiative that included workforce reductions, the consolidation of certain facilities and other actions to reduce expenses, all as part of a plan to realign operating expenses while maintaining focus on our innovation roadmap and sustainable long-term growth. In Q1 2024, we recorded restructuring charges primarily consisting of asset impairment charges related to our leased facilities.

A summary of the pre-tax restructuring charges are as follows:

<i>In millions</i>	Q1 2024	Cumulative charges recorded since inception
Employee separation costs	\$ 4	\$ 52
Asset impairment charges ⁽¹⁾	32	132
Other costs	—	4
Total restructuring charges ⁽²⁾	<u>\$ 36</u>	<u>\$ 188</u>

⁽¹⁾ For Q1 2024, charges primarily relate to impairment of right-of-use assets and leasehold improvements for our Foster City campus. Cumulative charges recorded since inception also include impairment of right-of-use assets and leasehold improvements for our i3 campus.

⁽²⁾ For Q1 2024, \$35 million was recorded in SG&A expense and \$1 million in R&D expense.

We recorded additional right-of-use asset impairments of \$18 million in Q1 2024 related to our campus in Foster City, California and another property in San Diego, California. The impairments, which were recognized in selling, general and administrative expense, were determined by comparing the fair values of the impacted right-of-use assets to the carrying values of the assets as of the impairment measurement date. The fair values of the right-of-use assets were estimated using the discounted future cash flows method, which includes estimates and assumptions for future sublease rental rates that reflect current sublease market conditions, as well as discount rates. The estimates and assumptions used in our assessments represent Level 3 measurements because they are supported by little or no market activity and reflect our own assumptions in measuring fair value. We also recorded \$14 million of leasehold improvement impairments related to our Foster City campus in Q1 2024, recognized in selling, general and administrative expense. We continue to evaluate our options with respect to the rest of our campus in Foster City, California and the other property in San Diego, California. As of March 31, 2024, we had remaining assets, consisting primarily of right-of-use assets and leasehold improvements, related to our Foster City campus and the other property in San Diego, California of approximately \$142 million.

A summary of the restructuring liability is as follows:

<i>In millions</i>	Employee Separation Costs ⁽¹⁾	Other Costs	Total
Amount recorded in accrued liabilities as of December 31, 2023	\$ 17	\$ 1	\$ 18
Additional expense recorded	4	—	4
Cash payments	(9)	(1)	(10)
Adjustments to accrual	(2)	—	(2)
Amount recorded in accrued liabilities as of March 31, 2024	\$ 10	\$ —	\$ 10

⁽¹⁾ It is expected that substantially all of the employee separation related restructuring charges will be paid by the end of Q2 2024.

Derivative Financial Instruments

We are exposed to foreign exchange rate risks in the normal course of business and use derivative financial instruments to partially offset this exposure. We do not use derivative financial instruments for speculative or trading purposes. Foreign exchange contracts are carried at fair value in other current assets, other assets, accrued liabilities, or other long-term liabilities, as appropriate, on the condensed consolidated balance sheets.

We use foreign exchange forward contracts to manage foreign currency risks related to monetary assets and liabilities denominated in currencies other than the U.S. dollar. These derivative financial instruments have terms of one month or less and are not designated as hedging instruments. Changes in fair value of these derivatives are recognized in other income (expense), net, along with the re-measurement gain or loss on the foreign currency denominated assets or liabilities. As of March 31, 2024, 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 March 31, 2024 and December 31, 2023, the total notional amounts of outstanding forward contracts in place for these foreign currency purchases were \$909 million and \$926 million, respectively. In July 2023, we entered into forward contracts for a total notional amount of €432 million to hedge the foreign currency exposure for the fine imposed by the European Commission on July 12, 2023.

We also use foreign currency forward contracts to hedge portions of our foreign currency exposure associated with forecasted revenue transactions. These derivative financial instruments have terms up to 24 months and are designated as cash flow hedges. Changes in fair value of our cash flow hedges are recorded as a component of accumulated other comprehensive income (loss) and are reclassified to revenue in the same period the underlying hedged transactions are recorded. We regularly review the effectiveness of our cash flow hedges and consider them to be ineffective if it becomes probable that the forecasted transactions will not occur in the identified period. Changes in fair value of the ineffective portions of our cash flow hedges, if any, are recognized in other income (expense), net. As of March 31, 2024, we had foreign currency forward contracts in place to hedge exposures associated with forecasted revenue transactions denominated in the euro, Japanese yen, Australian dollar, Canadian dollar, and Chinese Yuan Renminbi. As of March 31, 2024 and December 31, 2023, the total notional amounts of outstanding cash flow hedge contracts in place for these foreign currency purchases were \$633 million and \$628 million, respectively. We reclassified \$3 million and \$2 million to revenue in Q1 2024 and Q1 2023, respectively. As of March 31, 2024, the fair value of the foreign currency forward contracts was \$14 million, recorded in total assets. As of December 31, 2023, the fair value of the foreign currency forward contracts recorded in total assets and total liabilities was \$5 million and \$9 million, respectively. The estimated gains reported in accumulated other comprehensive income (loss) that are expected to be reclassified into earnings within the next 12 months are \$13 million as of March 31, 2024.

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 condensed 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.

Acquisition of GRAIL

Our acquisition of GRAIL remains subject to ongoing legal and regulatory proceedings in the United States and in the European Union.

On March 30, 2021, the U.S. Federal Trade Commission (the FTC) filed an administrative complaint and a motion for a preliminary injunction in the United States District Court for the District of Columbia. In both actions, the FTC alleged that our acquisition of GRAIL would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18. We filed an answer to the FTC's complaint in federal district court on April 6, 2021, and in the administrative court on April 13, 2021. On April 20, 2021, the United States District Court for the District of Columbia granted our motion to transfer venue to the United States District Court for the Southern District of California. On May 28, 2021, the district court granted the FTC's motion to dismiss the complaint without prejudice. The administrative trial commenced on August 24, 2021. On September 1, 2022, the administrative law judge (the ALJ) ruled in favor of Illumina and found that the acquisition of GRAIL did not violate Section 7 of the Clayton Act. In the decision, the ALJ found that the FTC's complaint counsel had failed to prove its prima facie case that Illumina's acquisition of GRAIL would result in harm to competition in a putative market for multi-cancer early detection (MCED) tests. The FTC's complaint counsel appealed the ALJ's decision to the full FTC on September 2, 2022. The appeal was fully briefed as of November 10, 2022 and oral argument occurred on December 13, 2022. On March 31, 2023, the FTC issued an opinion and order (the FTC Order) requiring Illumina to divest GRAIL, reversing the ALJ's ruling. On April 5, 2023, Illumina filed a petition for review of the FTC Order in the U.S. Court of Appeals for the Fifth Circuit. On April 24, 2023, the FTC granted a motion staying in its entirety the FTC Order pending resolution of Illumina's Fifth Circuit appeal. The appeal was fully briefed as of August 16, 2023 and oral argument occurred on September 12, 2023. On December 15, 2023, the Fifth Circuit issued its opinion and order, in which the Court ruled that the Commission applied the incorrect standard in assessing Illumina's open offer contract, and on that basis vacated the FTC Order and remanded the case to the Commission for reconsideration of the effects of the open offer contract under the proper standard as described in the Fifth Circuit's decision, and in all other respects upheld the Commission's decision.

On April 19, 2021, the European Commission accepted a request for a referral of the GRAIL acquisition for European Union merger review, submitted by a Member State of the European Union (France), and joined by several other EEA Member States (Belgium, Greece, Iceland, the Netherlands and Norway), under Article 22(1) of Council Regulation (EC) No 139/2004 (the EU Merger Regulation). The European Commission had never solicited referrals to take jurisdiction over an acquisition of a U.S. company that had no revenue in Europe. On April 28, 2021, we filed an action in the General Court of the European Union (the EU General Court) asking for annulment of the European Commission's assertion of jurisdiction to review the acquisition under Article 22 of the EU Merger Regulation, as the acquisition does not meet the jurisdictional criteria under the EU Merger Regulation or under the national merger control laws of any Member State of the European Union. On July 13, 2022, the EU General Court reached a decision in favor of the European Commission, holding that the European Commission has jurisdiction under the EU Merger Regulation to review the acquisition. On September 22, 2022, we filed an appeal in the Court of Justice of the European Union (the EU Court of Justice) asking for annulment of the EU General Court's judgment. On December 12, 2023, the EU Justice held a hearing on the appeal. On March 21, 2024, the Advocate General assigned to this case recommended, in a non-binding Opinion, that the EU Court of Justice annul the General Court's judgment and the European Commission's decisions accepting the referral of the GRAIL acquisition for EU merger review.

On October 29, 2021, the European Commission adopted an order imposing interim measures (the Initial Interim Measures Order). As the Initial Interim Measures Order was set to expire on November 3, 2022, the European Commission adopted a new order imposing interim measures (the New Interim Measures Order) on October 28, 2022. On December 1, 2021, we filed an action with the EU General Court asking for annulment of the Initial Interim Measures Order. The hearing of that application has been stayed pending our appeal of the judgment of the EU General Court regarding the European Commission's assertion of jurisdiction. On January 10, 2023, we filed an

action with the EU General Court asking for annulment of the New Interim Measures Order. On January 20, 2023, the European Commission requested that these proceedings be stayed pending our appeal on jurisdiction. We submitted a filing indicating that we had no objections to the European Commission's request, and the EU General Court stayed the proceedings on February 21, 2023.

On September 6, 2022, the European Commission announced that it had completed its Phase II review of the acquisition of GRAIL and adopted a final decision (the Prohibition Decision), which found that, in its view, our acquisition of GRAIL was incompatible with the internal market in Europe because it results in a significant impediment to effective competition. On November 17, 2022, we filed an action with the EU General Court asking for annulment of the Prohibition Decision. The European Commission lodged its defense on April 20, 2023, and this was served on Illumina on May 23, 2023. Illumina filed its reply on August 31, 2023, and the Commission filed its rejoinder on December 22, 2023, which was served on Illumina on January 8, 2024. GRAIL has been granted leave to intervene.

On October 12, 2023, the European Commission adopted a decision requiring us to (among other things) divest GRAIL, and replacing the interim measures set forth in the New Interim Measures Order with substantially equivalent transitional measures (the EC Divestment Decision). On December 22, 2023, we filed an action with the EU General Court seeking an annulment of the EC Divestment Decision.

On July 12, 2023, the European Commission adopted a final decision finding that we breached the EU Merger Regulation by, in its view, acquiring the possibility to exert decisive influence over GRAIL and exerting such influence during the pendency of the European Commission's review (the Article 14(2)(b) Decision). The European Commission therefore imposed a fine pursuant to Article 14(2)(b) of the EU Merger Regulation of approximately €432 million, representing the maximum fine of 10% of our consolidated annual revenues for fiscal year 2022. We provided guarantees in October 2023 to satisfy the obligation in lieu of cash payment while we appeal the European Commission's jurisdictional decision and fine decision. The fine is accruing interest at a rate of 5.5% per annum, beginning in October 2023, while it is outstanding. As of March 31, 2024, we accrued \$478 million, including related accrued interest and foreign currency fluctuations, included in accrued liabilities. We appealed the Article 14(2)(b) Decision on September 26, 2023. The European Commission lodged its defense on February 2, 2024. On March 7, 2024, the Court granted permission to the Council of the European Union to intervene in the case and submit its views as a non-party.

On December 17, 2023, we announced that we will divest GRAIL. On April 12, 2024, the European Commission issued a decision approving our divestment plan, which was submitted to the EC pursuant to the EC Divestment Decision.

SEC Inquiry Letter

In July 2023, we were informed that the staff of the SEC was conducting an investigation relating to Illumina and was requesting documents and communications primarily related to Illumina's acquisition of GRAIL and certain statements and disclosures concerning GRAIL, its products and its acquisition, and related to the conduct and compensation of certain members of Illumina and GRAIL management, among other things. Illumina is cooperating with the SEC in this investigation.

Shareholder Derivative Complaints

On October 17, 2023, a stockholder derivative and class action complaint captioned *Icahn Partners LP, et al. v. deSouza, et al.*, purportedly brought on behalf of Illumina and public holders of Illumina's common stock, was filed in the Delaware Court of Chancery against certain current and former directors (including our former Chief Executive Officer). We are named as a nominal defendant in the complaint. The lawsuit alleges the named directors breached their fiduciary duties by knowingly causing Illumina to unlawfully close the GRAIL acquisition, concealing material facts related to the GRAIL acquisition and making inadequate disclosures. Before the filing of the complaint, the purported stockholders did not make a demand that our Board of Directors pursue the claims asserted therein. The complaint seeks damages, costs and expenses, including attorney fees, the certification and consolidation of a putative class, the issuance of amended disclosures, the removal of conflicted directors and declaratory and other

equitable relief. Since the lawsuit is brought in part on behalf of Illumina as a nominal defendant, the alleged damages were allegedly suffered by us.

On November 1, 2023, the defendants filed a motion to dismiss the complaint, which has not yet been briefed. On the same day, Illumina—joined by the director defendants—moved to strike portions of the complaint that contain improperly included confidential and privileged information. On January 16, 2024, the Court granted the motion to strike. On December 5, 2023, the plaintiffs moved to expedite the proceedings with respect to their direct claims. The director defendants opposed that motion and Illumina joined their opposition. On January 19, 2024, the Court denied plaintiffs’ motion to expedite. On January 23, 2024, the plaintiffs filed a motion for reargument of the Court’s January 16 opinion, which the Court denied on February 19, 2024. On February 29, 2024, the plaintiffs filed an application to the trial court to certify the orders granting the motion to strike and denying the motion for reargument for interlocutory appeal. The Court refused the application on March 20, 2024. On March 14, 2024, the plaintiffs filed an application for interlocutory appeal with the Supreme Court of Delaware, which the Court denied on April 11, 2024.

On February 26, 2024, a stockholder derivative complaint captioned *City of Omaha Police and Firefighters Retirement System v. deSouza, et al.*, purportedly brought on behalf of Illumina, was filed in the Delaware Court of Chancery against certain current and former directors. On April 16, 2024, a stockholder derivative complaint captioned *City of Roseville General Employees Retirement System, et al. v. deSouza, et al.*, purportedly brought on behalf of Illumina, was filed in the Delaware Court of Chancery against certain current and former directors and officers. We are named as a nominal defendant in the complaints. The lawsuits allege the named directors and officers breached their fiduciary duties by knowingly causing Illumina to unlawfully close the GRAIL acquisition. The stockholders previously made requests to inspect certain books and records under Delaware law, and they purport to base their complaint in part on documents obtained from Illumina in response to those requests. Before the filing of the complaint, the purported stockholders did not make a demand that our Board of Directors pursue the claim asserted therein. The complaints seek damages, costs and expenses, including attorney fees and other equitable relief. Since the lawsuits are brought in part on behalf of Illumina as a nominal defendant, the alleged damages were allegedly suffered by us.

On March 26, 2024, the defendants filed a motion to dismiss the complaint in the lawsuit filed by City of Omaha Police and Firefighters Retirement System. The motion has not yet been briefed. The City of Roseville General Employees Retirement System lawsuit is in the early procedural stages.

On February 21, 2024, a stockholder derivative complaint captioned *Elaine Wang, et al. v. deSouza, et al.*, purportedly brought on behalf of the Company was filed in the United States District Court for the District of Delaware (“District of Delaware”) against certain current and former directors. The Company is named as a nominal defendant in the complaint. The lawsuit alleges that the named directors breached their fiduciary duties by knowingly causing the Company to unlawfully close the GRAIL acquisition. Before the filing of the complaint, the purported stockholder did not make a demand that our Board of Directors pursue the asserted claims therein. The complaint seeks, among other things, restitution to the Company for the alleged damages caused by the named defendants. Since the lawsuit is brought in part on behalf of Illumina as a nominal defendant, the alleged damages were allegedly suffered by us.

On March 8, 2024, a stockholder derivative complaint captioned *Michael Warner, et al. v. deSouza, et al.*, purportedly brought on behalf of Illumina was also filed in the United States District Court for the Southern District of California against certain current and former directors. We are named as a nominal defendant in the complaint. The lawsuit alleges that the named directors breached their fiduciary duties by knowingly causing us to unlawfully close the GRAIL acquisition. Before the filing of the complaint, the purported stockholder did not make a demand that our Board of Directors pursue the asserted claims therein. The complaint seeks, among other things, restitution to Illumina for the alleged damages caused by the named defendants. Since the lawsuit is brought in part on behalf of Illumina as a nominal defendant, the alleged damages were allegedly suffered by us. On March 28, 2024, the parties submitted a Joint Motion to Transfer the lawsuit to the District of Delaware, which the Court granted on March 29, 2024, and the Court transferred the lawsuit to the District of Delaware on the same day.

In light of the fact that these lawsuits are in an early stage, we cannot predict the ultimate outcome of the suits. We deny the allegations in the complaints and intend to vigorously defend the litigations.

Securities Class Actions

Federal Securities Class Actions. On November 11, 2023, the first of three securities class action complaints was filed against Illumina and certain of its current and former executive officers in the United States District Court for the Southern District of California. The first-filed case is captioned *Kangas v. Illumina, Inc. et al.*, the second-filed case is captioned *Roy v. Illumina, Inc. et al.*, and the third-filed case is captioned *Louisiana Sheriffs' Pension & Relief Fund v. Illumina, Inc. et al.* (collectively, the "Actions"). The complaints generally allege, among other things, that defendants made materially false and misleading statements and omitted material facts relating to Illumina's acquisition of Grail. The complaints seek unspecified damages, interest, fees, and costs. On January 9, 2024, four movants filed motions to consolidate the Actions and to appoint a lead plaintiff ("Lead Plaintiff Motions"). On April 11, 2024, the Court issued an order consolidating the Actions into a single action (captioned in re Illumina, Inc. Securities Litigation No. 23-cv-2082-LL-MMP), and appointed Universal-Investment-Gesellschaft mbH, UI BVK Kapitalverwaltungsgesellschaft mbH, and ACATIS Investment Kapitalverwaltungsgesellschaft mbH as lead plaintiffs.

State Securities Class Actions. On February 2, 2024, the first of two additional securities class actions was filed against Illumina, certain of its officers and directors, and several other individuals and entities in the Superior Court of the State of California, County of San Mateo, captioned *Loren Scott Mar v. Illumina, et al.* and *Scott Zerzanek v. Illumina, Inc. et al.*. Both complaints generally allege, among other things, that defendants made materially false and misleading statements and omitted material facts in the November 2020 and February 2021 registration statements and prospectus relating to Illumina's acquisition of Grail. The complaints seek unspecified damages, interest, fees, and costs. On March 29, 2024, the parties to the actions filed a Joint Stipulation to Consolidate the actions and to appoint co-lead counsel for plaintiffs, which the Court granted on April 5, 2024. A case management conference has been scheduled for May 6, 2024.

In light of the fact that the lawsuits are in an early stage, we cannot predict the ultimate outcome of the suits. We deny the allegations in the complaints and intend to vigorously defend the litigation.

DOJ Civil Investigative Demand

On January 18, 2024, we received a civil investigative demand (CID) from the U.S. Department of Justice, requiring production of certain documents and information in the course of a False Claims Act investigation to determine whether there is or has been a violation of 31 U.S.C. § 3729. The False Claims Act investigation concerns allegations that the Company caused the submission of false claims to Medicare and other federal government programs because it misrepresented its compliance with cybersecurity requirements to the Food and Drug Administration and other federal agencies that purchase its devices. The Company is preparing its response and cooperating with the government.

Books and Records Action

On February 14, 2024, a stockholder filed a complaint in the Delaware Court of Chancery captioned *Pavers and Road Builders Benefit Funds v. Illumina, Inc.* seeking to inspect certain books and records related to the GRAIL transaction, including certain materials and minutes from meetings of our Board of Directors, which have been withheld because the Company contends they are non-responsive to the request or subject to the attorney-client privilege. Illumina previously provided documents to the stockholder in response to a demand made by letter under Delaware law, but the stockholder seeks additional and unredacted materials through this action. On March 11, 2024, Illumina filed an answer to the complaint, denying that the stockholder was entitled to inspection. In light of the fact that the lawsuit is in an early stage, we cannot predict the ultimate outcome of the suit. We deny that the stockholder is entitled to review the documents and intend to vigorously defend the litigation. A trial is scheduled for June 7, 2024.

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.

Our effective tax rate for Q1 2024 was (15.3)% compared to 103.9% in Q1 2023. The variance from the U.S. federal statutory tax rate of 21% in Q1 2024 was primarily attributable to the \$21 million income tax expense impact of research and development expense capitalization for tax purposes, and the \$18 million income tax expense impact of GRAIL pre-acquisition net operating losses on global intangible low-taxed income (GILTI), the utilization of U.S.

foreign tax credits, and the Pillar Two global minimum top-up tax. This was 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.

Other than in Q2 2023, we historically calculated the provision/(benefit) for income taxes for interim periods utilizing an estimated annual effective tax rate applied to the income/(loss) for the reporting period. In accordance with the authoritative guidance for accounting for income taxes in interim periods, we concluded for Q1 2024 that it was appropriate to determine the provision for income taxes utilizing the year-to-date effective tax rate method. Since minor changes in the estimated income/(loss) before income taxes would result in significant changes in the estimated annual effective tax rate, we determined the year-to-date effective tax rate method would provide a more reliable estimate of the provision for income taxes for Q1 2024.

As of March 31, 2024 and December 31, 2023, prepaid income taxes, included within prepaid expenses and other current assets on the condensed consolidated balance sheets, were \$64 million and \$75 million, respectively.

9. SEGMENT INFORMATION

We have two reportable segments, Core Illumina and GRAIL. We report segment information based on the management approach, which designates the internal reporting used by the Chief Operating Decision Maker (CODM) for making decisions and assessing performance as the source of our reportable segments. The CODM allocates resources and assesses the performance of each operating segment using information about its revenue and income (loss) from operations. Our CODM does not evaluate our operating segments using discrete asset information. We do not allocate expenses between segments. Core Illumina sells products and provides services to GRAIL, and vice versa, in accordance with contractual agreements between the entities.

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 GRAIL.

GRAIL: GRAIL is a healthcare company focused on early detection of multiple cancers.

<i>In millions</i>	Q1 2024	Q1 2023
Revenue:		
Core Illumina	\$ 1,056	\$ 1,076
GRAIL	27	20
Eliminations	(7)	(9)
Consolidated revenue	<u>\$ 1,076</u>	<u>\$ 1,087</u>
Income (loss) from operations:		
Core Illumina	\$ 116	\$ 142
GRAIL	(227)	(204)
Eliminations	—	(2)
Consolidated loss from operations	<u>\$ (111)</u>	<u>\$ (64)</u>

Total other income (expense), net primarily relates to Core Illumina, and we do not allocate income taxes to our segments.

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.
- *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 Q1 2023 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 April 2, 2023.

This MD&A discussion contains forward-looking statements that involve risks and uncertainties. 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 31, 2023. Operating results are not necessarily indicative of results that may occur in future periods.

MANAGEMENT'S OVERVIEW AND OUTLOOK

This overview and outlook provide 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

Our focus on innovation has established us as a 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 leading genomic research centers, academic institutions, government laboratories, and hospitals, as well as pharmaceutical, biotechnology, commercial molecular diagnostic laboratories, and consumer genomics companies. 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.

On August 18, 2021, we acquired GRAIL, a healthcare company focused on early detection of multiple cancers. GRAIL's Galleri blood test detects various types of cancers before they are symptomatic. The acquisition is subject to ongoing legal proceedings and, currently, GRAIL must be held and operated separately and independently from Illumina pursuant to the transitional measures ordered by the European Commission in the EC Divestment Decision, following the prohibition of our acquisition of GRAIL on September 6, 2022. On December 17, 2023, we announced that we will divest GRAIL, and on April 12, 2024, the European Commission formally approved our divestment plan with respect to GRAIL, which had been submitted pursuant to the EC Divestment Decision. See note ["7. Legal Proceedings"](#) for further details. The divestiture of GRAIL is expected to be executed through a third-party sale or capital markets transaction in accordance with the EC Divestment Decision, with the goal of finalizing the terms of the divestiture by the end of the second quarter of 2024. There can be no assurance regarding the ultimate timing of the divestiture of GRAIL.

We have two reportable segments, Core Illumina and GRAIL. Core Illumina relates to our core operations, excluding the results of GRAIL. See note ["9. Segment Information"](#) for additional details.

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

Since 2023, macroeconomic factors such as inflation, exchange rate fluctuations and concerns about an economic downturn, competitive challenges in our China region, and the sanctions imposed on Russia as a result of the armed conflict between Russia and Ukraine have impacted both Illumina directly and our customers' behavior. For example, some customers experienced supply chain pressures that delayed their lab expansions and others are managing inventory and capital more conservatively. We expect these factors to continue to impact our sales and results of operations in 2024, the size and duration of which is significantly uncertain.

Financial highlights for Q1 2024 included the following:

- Revenue decreased 1% in Q1 2024 to \$1,076 million compared to \$1,087 million in Q1 2023 primarily due to a decrease in sequencing instruments revenue, driven by fewer shipments of our high-throughput and mid-throughput instruments, partially offset by an increase in service and other revenue.
- Gross profit as a percentage of revenue (gross margin) was 62.0% in Q1 2024 compared to 60.3% in Q1 2023. The increase in gross margin was driven primarily by a more favorable mix of sequencing consumables and execution of our operational excellence priorities that delivered cost savings, including freight, and improved productivity. This was partially offset by certain strategic partnership revenue that is lower margin and increased warranty and field service costs. Our gross margin depends on many factors, including: market conditions that may impact our pricing; sales mix changes among consumables, instruments, services, and development and licensing revenue; product mix changes between established products and new products; excess and obsolete inventories; royalties; our cost structure for manufacturing operations relative to volume; freight costs; and product support obligations.
- Loss from operations was \$(111) million in Q1 2024 compared to \$(64) million in Q1 2023. The increase in loss from operations was due to an increase in operating expense of \$59 million, which included restructuring charges of \$36 million, partially offset by a \$12 million increase in gross profit. We continue to focus on our cost reduction initiatives to accelerate progress toward higher margins and create flexibility for further investment in high-growth areas.
- Our effective tax rate was (15.3)% in Q1 2024 compared to 103.9% in Q1 2023. The variance from the U.S. federal statutory tax rate of 21% was primarily because of the income tax expense impact of research and development expense capitalization for tax purposes, and the income tax expense impact of GRAIL pre-acquisition net operating losses on GILTI, the utilization of U.S. foreign tax credits, and the Pillar Two global minimum top-up tax. This was 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.

- We ended Q1 2024 with cash, cash equivalents, and short-term investments totaling \$1,115 million, of which approximately \$614 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.⁽¹⁾

	Q1 2024	Q1 2023
Revenue:		
Product revenue	81.4 %	84.8 %
Service and other revenue	18.6	15.2
Total revenue	100.0	100.0
Cost of revenue:		
Cost of product revenue	23.6	26.2
Cost of service and other revenue	9.9	9.1
Amortization of acquired intangible assets	4.5	4.4
Total cost of revenue	38.0	39.7
Gross profit	62.0	60.3
Operating expense:		
Research and development	31.5	31.4
Selling, general and administrative	40.8	34.8
Total operating expense	72.3	66.1
Loss from operations	(10.3)	(5.7)
Other income (expense):		
Interest income	1.1	1.6
Interest expense	(1.7)	(1.8)
Other income (expense), net	0.8	(1.0)
Total other income (expense), net	0.2	(1.3)
Loss before income taxes	(10.1)	(7.1)
Provision (benefit) for income taxes	1.6	(7.5)
Net (loss) income	(11.7)%	0.4 %

⁽¹⁾ Percentages may not recalculate due to rounding.

Revenue

<i>Dollars in millions</i>	Q1 2024	Q1 2023	Change	% Change
Core Illumina:				
Consumables	\$ 769	\$ 770	\$ (1)	— %
Instruments	114	160	(46)	(29)
Total product revenue	883	930	(47)	(5)
Service and other revenue	173	146	27	18
Total Core Illumina revenue	1,056	1,076	(20)	(2)
GRAIL:				
Service and other revenue	27	20	7	35
Eliminations	(7)	(9)	2	(22)
Total consolidated revenue	\$ 1,076	\$ 1,087	\$ (11)	(1)%

The slight decrease in Core Illumina consumables revenue in Q1 2024 was driven primarily by a decrease in microarray consumables, partially offset by an increase in sequencing consumables. Core Illumina instruments revenue decreased in Q1 2024, primarily due to a decrease in sequencing instruments revenue of \$44 million, driven by fewer shipments of our high-throughput instruments, given we entered 2024 with a lower backlog of NovaSeq X instruments, as compared to 2023, given significant pre-orders following the launch, and fewer shipments of our mid-throughput instruments, primarily as capital and cash flow constraints continue to impact our customer's purchasing behavior. Core Illumina service and other revenue increased in Q1 2024 primarily due to increased revenue from our strategic partnerships.

GRAIL service and other revenue increased \$7 million, or 35%, in Q1 2024 primarily due to sales of Galleri.

Gross Margin

<i>Dollars in millions</i>	Q1 2024	Q1 2023	Change	% Change
Gross profit (loss):				
Core Illumina	\$ 693	\$ 687	\$ 6	1 %
GRAIL	(22)	(25)	3	(12)
Eliminations	(4)	(7)	3	(43)
Consolidated gross profit	\$ 667	\$ 655	\$ 12	2 %
Gross margin:				
Core Illumina	65.7 %	63.8 %		
GRAIL	*	*		
Consolidated gross margin	62.0 %	60.3 %		

* Not meaningful.

The increase in Core Illumina gross margin in Q1 2024 was driven primarily by a more favorable mix of sequencing consumables and execution of our operational excellence priorities that delivered cost savings, including freight, and improved productivity. This was partially offset by certain strategic partnership revenue that is lower margin and increased warranty and field service costs.

GRAIL gross loss in Q1 2024 and Q1 2023 was primarily due to amortization of intangible assets of \$34 million.

Operating Expense

<i>Dollars in millions</i>	Q1 2024	Q1 2023	Change	% Change
Research and development:				
Core Illumina	\$ 241	\$ 259	\$ (18)	(7)%
GRAIL	101	86	15	17
Eliminations	(3)	(4)	1	(25)
Consolidated research and development	339	341	(2)	(1)
Selling, general and administrative:				
Core Illumina	336	286	50	17
GRAIL	104	93	11	12
Eliminations	(1)	(1)	—	—
Consolidated selling, general and administrative	439	378	61	16
Total consolidated operating expense	\$ 778	\$ 719	\$ 59	8 %

Core Illumina R&D expense decreased by \$18 million, or 7%, in Q1 2024 primarily due to a decrease in headcount and employee related compensation costs, as well as a decrease in lab supply costs, as we continue to focus on our cost reduction initiatives in 2024. The decrease was partially offset by impairment of an IPR&D intangible asset.

GRAIL R&D expense increased by \$15 million, or 17%, in Q1 2024 primarily due to an increase in headcount and employee related compensation costs and an increase in lab and consumables spend.

Core Illumina SG&A expense increased by \$50 million, or 17%, in Q1 2024 primarily due to an increase in restructuring charges of \$33 million, which consisted primarily of lease and other asset impairments, a loss recognized on our contingent consideration liability related to the GRAIL CVRs of \$17 million, and accrued interest recognized on the fine imposed by the European Commission of \$7 million (interest began accruing on the fine in October 2023). The increase was partially offset by a decrease in facility related costs, as we continue to exit certain of our facilities, and a decrease in headcount and employee related compensation costs.

GRAIL SG&A expense increased by \$11 million, or 12%, in Q1 2024 primarily due to an increase in headcount and employee related compensation costs and a slight increase in professional services.

Other Income (Expense)

<i>Dollars in millions</i>	Q1 2024	Q1 2023	Change	% Change
Interest income	\$ 12	\$ 17	\$ (5)	(29)%
Interest expense	(18)	(20)	2	(10)
Other income (expense), net	8	(11)	19	(173)
Total other income (expense), net	\$ 2	\$ (14)	\$ 16	(114)%

Total other income (expense), net primarily relates to the Core Illumina segment.

Interest income consisted primarily of interest on our money market funds, which decreased primarily due to a lower cash balance in Q1 2024 as compared to the prior year. Interest expense consisted primarily of interest on our outstanding Term Notes. The fluctuation in other income (expense), net in Q1 2024 was primarily driven by a favorable impact related to our strategic investments. We recognized a net gain of \$5 million in Q1 2024 compared to a net loss of \$16 million in Q1 2023.

Provision (Benefit) for Income Taxes

Dollars in millions

	Q1 2024	Q1 2023	Change	% Change
Loss before income taxes	\$ (109)	\$ (78)	\$ (31)	40 %
Provision (benefit) for income taxes	17	(81)	98	(121)
Net (loss) income	\$ (126)	\$ 3	\$ (129)	(4,300)%
Effective tax rate	(15.3)%	103.9 %		

Our effective tax rate was (15.3)% in Q1 2024, compared to 103.9% in Q1 2023. The variance from the U.S. federal statutory tax rate of 21% for Q1 2024 was primarily because of the \$21 million income tax expense impact of capitalizing research and development expenses for tax purposes, and the \$18 million income tax expense impact of GRAIL pre-acquisition net operating losses on GILTI, the utilization of U.S. foreign tax credits, and the Pillar Two global minimum top-up tax. The income tax expense in Q1 2024 was also favorably impacted by the mix of earnings in jurisdictions with lower statutory tax rates than the U.S. federal statutory tax rate, such as in Singapore.

In Q1 2023, the variance from the U.S. federal statutory tax rate of 21% was primarily because of the \$49 million income tax expense impact of capitalizing research and development expenses for tax purposes, and the \$44 million income tax expense impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits. The tax benefit in Q1 2023 was also favorably impacted 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.

Other than in Q2 2023, we historically calculated the provision/(benefit) for income taxes for interim periods utilizing an estimated annual effective tax rate applied to the income/(loss) for the reporting period. In accordance with the authoritative guidance for accounting for income taxes in interim periods, we concluded for Q1 2024 that it was appropriate to determine the provision for income taxes utilizing the year-to-date effective tax rate method. Since minor changes in the estimated income/(loss) before income taxes would result in significant changes in the estimated annual effective tax rate, we determined the year-to-date effective tax rate method would provide a more reliable estimate of the provision for income taxes for Q1 2024.

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 & Market Information section of our Annual Report on Form [10-K](#) for the fiscal year ended December 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2024, we had approximately \$1,108 million in cash and cash equivalents, of which approximately \$614 million was held by our foreign subsidiaries. Cash and cash equivalents increased by \$60 million from December 31, 2023 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 to finance our business needs as a supplement to cash provided by operating activities. As of March 31, 2024, we had \$7 million remaining in short-term investments, comprised of marketable equity securities, which are included in prepaid expenses and other current assets.

On July 12, 2023, as a result of our decision to proceed with the completion of our acquisition of GRAIL during the pendency of the European Commission’s review, the European Commission imposed a €432 million fine on us, representing the maximum fine of 10% of our consolidated annual revenues for fiscal year 2022. As of March 31, 2024, we accrued \$478 million, including related accrued interest and foreign currency fluctuations, included in accrued liabilities. We provided guarantees in October 2023 to satisfy the obligation in lieu of cash payment while we appeal the European Commission’s jurisdictional decision and fine decision. The fine is accruing interest at a rate of 5.5% per annum, beginning in October 2023, while it is outstanding. Refer to note “[7. Legal Proceedings](#)” for additional details.

In December 2022, we issued term notes due 2025 with an aggregate principal amount of \$500 million and term notes due 2027 with an aggregate principal amount of \$500 million. The 2025 Term Notes, which mature on December 12, 2025, and the 2027 Term Notes, which mature on December 13, 2027, accrue interest at a rate of 5.800% and 5.750% per annum, respectively, payable semi-annually in June and December of each year. We may redeem for cash all or any portion of the 2025 or 2027 Term Notes, at our option, at any time prior to maturity.

In March 2021, we issued term notes due 2031 with an aggregate principal amount of \$500 million. The 2031 Term Notes, which mature on March 23, 2031, accrue interest at a rate of 2.550% per annum, payable semi-annually in March and September of each year. We may redeem for cash all or any portion of the 2031 Term Notes, at our option, at any time prior to maturity.

On January 4, 2023, we obtained a new Credit Facility, which provides us with a \$750 million senior unsecured five year revolving credit facility, including a \$40 million sublimit for swingline borrowings and a \$50 million sublimit for letters of credit. The Credit Facility matures, and all amounts outstanding thereunder become due and payable in full, on January 4, 2028, subject to two one-year extensions at our option and the consent of the extending lenders and certain other conditions. As of March 31, 2024, there were no borrowings outstanding under the Credit Facility; however, we may draw upon the facility in the future to manage cash flow or for other corporate purposes, including in connection with the payment of the €432 million European Commission fine. We provided guarantees in October 2023 to satisfy the obligation in lieu of cash payment while we appeal the European Commission's jurisdictional decision and fine decision.

As of March 31, 2024, the fair value of our contingent consideration liability related to our acquisition of GRAIL was \$403 million, of which \$401 million was included in other long-term liabilities. The contingent value rights issued as part of the acquisition entitle the holders to receive future cash payments on a quarterly basis (Covered Revenue Payments) representing a pro rata portion of certain GRAIL-related revenues (Covered Revenues) each year for a 12-year period. This will reflect a 2.5% payment right to the first \$1 billion of revenue each year for 12 years. Revenue above \$1 billion each year will be subject to a 9% contingent payment right during this same period. We expect Covered Revenues for Q1 2024 to be approximately \$27 million and for related Covered Revenue Payments to total approximately \$250,000 in Q2 2024. In Q1 2024, we paid \$284,000 in aggregate Covered Revenue Payments related to Covered Revenues for Q4 2023 of \$30 million.

We grant cash incentive equity awards to GRAIL employees that generally have terms of four years and vest in equal annual installments. As of March 31, 2024, the aggregate cash value of awards outstanding and unvested was \$279 million, and we accrued an estimated liability of \$41 million, included in accrued liabilities. In addition, we have an outstanding performance-based award for which vesting is based on GRAIL's future revenues. The award has an aggregate potential value of up to \$78 million, which is expected to be settled in cash, and expires, to the extent unvested, in August 2030. As of March 31, 2024, it was not probable that the performance conditions associated with the award will be achieved.

We had \$4 million (plus recallable distributions of approximately \$10 million) and up to \$59 million, respectively, remaining in our capital commitments to two venture capital investment funds as of March 31, 2024 that are callable through April 2026 and July 2029, respectively.

Authorizations to repurchase \$15 million of our common stock remained available as of March 31, 2024 under the \$750 million share repurchase program authorized by our Board of Directors on February 5, 2020. The repurchases may be completed under a 10b5-1 plan or at management's discretion. We do not intend to make any share repurchases during fiscal year 2024.

We anticipate that our current cash, cash equivalents, and short-term investments, together with cash provided by operating activities and available borrowing capacity under the Credit Facility, 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;
- the payment of the European Commission fine related to our acquisition of GRAIL;
- the requirement to ensure that GRAIL has access to sufficient funds, at the time of a divestment, to cover at least 2.5 years of operations according to its latest long-range plan per the EC Divestment Decision. We expect the amount of such funding will be approximately \$1 billion, which includes cash from GRAIL's balance sheet;
- potential strategic acquisitions and investments;
- repayment of debt obligations; and
- the evolving needs of our facilities, including costs of leasing and building out facilities.

We expect that our revenue and results of operations, 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>	Q1 2024	Q1 2023
Net cash provided by operating activities	\$ 77	\$ 10
Net cash used in investing activities	(48)	(56)
Net cash provided by (used in) financing activities	35	(473)
Effect of exchange rate changes on cash and cash equivalents	(4)	2
Net increase (decrease) in cash and cash equivalents	\$ 60	\$ (517)

Operating Activities

Net cash provided by operating activities in Q1 2024 consisted of a net loss of \$126 million, plus net adjustments of \$229 million, less net changes in operating assets and liabilities of \$26 million. The primary adjustments to net loss included depreciation and amortization expense of \$108 million, share-based compensation expense of \$96 million, property and equipment and right-of-use asset impairment of \$32 million, and change in fair value of contingent consideration liabilities of \$16 million, partially offset by deferred income taxes of \$24 million. Cash flow impact from changes in net operating assets and liabilities were primarily driven by decreases in accrued liabilities and accounts payable and an increase in prepaid expenses and other current assets, partially offset by a decrease in accounts receivable.

Investing Activities

Net cash used in investing activities totaled \$48 million in Q1 2024. We invested \$36 million in capital expenditures, primarily associated with our investment in facilities, and had purchases of strategic investments of \$12 million.

Financing Activities

Net cash provided by financing activities totaled \$35 million in Q1 2024. We received \$36 million in proceeds from the sale of shares under our employee stock purchase plan.

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 (loss) and net income (loss), 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 31, 2023 have the greatest potential impact on our financial statements, so we consider them to be our critical accounting policies and estimates. Though macroeconomic factors such as inflation, exchange rate fluctuations and concerns about an economic downturn present 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 Q1 2024, with the exception of income taxes as disclosed in note “[1. Organization and Significant Accounting Policies](#).”

RECENT ACCOUNTING PRONOUNCEMENTS

For a 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.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There were no substantial changes to our market risks in Q1 2024, 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 31, 2023.

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.

During the first quarter of 2024, we continued to monitor and evaluate the design and operating effectiveness of key controls. 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.

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.

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 & Market Information section of our Annual Report on [Form 10-K](#) for the fiscal year ended December 31, 2023. 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:

Our acquisition of GRAIL remains subject to ongoing legal and regulatory proceedings in the United States and in the European Union. On December 17, 2023, we announced that we will divest GRAIL. Adverse decisions by the EU and/or U.S. courts, the European Commission, the FTC and/or other governmental or regulatory authorities, that have been issued in the past or may be issued in the future, and/or other adverse consequences resulting from our decision to proceed with the completion of the acquisition, have resulted in significant financial penalties, operational restrictions and increased costs, and could result in similar additional future consequences or further result in loss of revenues, implicate our existing contractual arrangements or require us to divest all or a portion of the assets or equity interests of GRAIL on terms that are materially worse than the terms on which we acquired GRAIL, any or all of which, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operation.

As previously disclosed, on March 30, 2021, the FTC filed an administrative complaint alleging that our acquisition of GRAIL (the Acquisition) would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18. On September 1, 2022, the administrative law judge (the ALJ) ruled in favor of Illumina and found that the acquisition of GRAIL did not violate Section 7 of the Clayton Act. The FTC’s complaint counsel appealed the ALJ’s decision to the full FTC on September 2, 2022. On March 31, 2023, the FTC issued an opinion and order (the FTC Order) requiring Illumina to divest GRAIL, reversing the ALJ’s ruling. On April 5, 2023, Illumina filed a petition for review of the FTC Order in the U.S. Court of Appeals for the Fifth Circuit. On April 24, 2023, the FTC granted a motion staying in its entirety the FTC Order pending resolution of Illumina’s Fifth Circuit appeal. On December 15, 2023, the Fifth Circuit issued its opinion and order, in which the Court ruled that the Commission applied the incorrect standard in assessing Illumina’s open offer contract, and on that basis vacated the FTC Order and remanded the case to the Commission for reconsideration of the effects of the open offer contract under the proper standard as described in the Fifth Circuit’s decision, and in all other respects upheld the Commission’s decision.

As previously disclosed, on April 19, 2021, the European Commission accepted a request for referral of the Acquisition (the Referral) for European Union merger review under Article 22(1) of Council Regulation (EC) No 139/2004 (the EU Merger Regulation), which had been submitted by a Member State of the European Union (France) and joined by several other EEA Member States (Belgium, Greece, Iceland, the Netherlands and Norway). On July 13, 2022, the EU General Court ruled that the European Commission has jurisdiction to review the Acquisition under the EU Merger Regulation. On September 22, 2022, we filed an appeal in the Court of Justice of the European Union (the EU Court of Justice) asking for annulment of the EU General Court’s decision. On December 12, 2023, the Court of Justice of the European Union held a hearing on the appeal. On March 21, 2024, the Advocate General assigned to this case recommended, in a non-binding Opinion, that the EU Court of Justice annul the European Commission’s decisions accepting referral of the GRAIL acquisition for EU merger review.

As previously disclosed, on October 29, 2021, the European Commission adopted an order imposing interim measures (the Initial Interim Measures Order), which was renewed on October 28, 2022 (subject to (x) certain operational modifications and (y) an express prohibition on Illumina selling, transferring, encumbering or otherwise disposing of GRAIL or any of GRAIL’s assets), provided that (i) we ensure that Illumina and GRAIL will continue to operate as independent legal entities that transact at arms’ length, no integration activity will take place, the day-to-day operation of GRAIL will remain the sole responsibility of GRAIL’s management and our management will have no involvement in or influence over GRAIL, (ii) we take certain supportive measures to preserve GRAIL’s viability, marketability and competitiveness, including with respect to the provision of resources to GRAIL and the retention and/or replacement of key personnel of GRAIL, (iii) subject to limited exceptions, we implement all necessary measures to ensure that Illumina does not obtain any confidential information relating to GRAIL during the hold separate period and vice versa and (iv) we appoint an independent firm as monitoring trustee to monitor our compliance with the Initial Interim Measures Order. An independent monitoring trustee has been appointed. Such hold separate arrangement, and our obligations pursuant thereto, have imposed implementation and administrative processes and additional legal, financial advisory, regulatory and other professional services costs, which have been burdensome to implement and administer, and which we expect to continue for the duration of the hold separate arrangement (in the form of transitional measures imposed on Illumina pursuant to a decision adopted by the European Commission on October 12, 2023 (the EC Divestment Decision), which replaced the New Interim

Measures Order). Such burdens and additional costs, independently or together with additional burdens, costs and/or liabilities arising from such arrangement, may result in loss of revenue and other adverse effects on our business, financial condition and results of operations. Moreover, our failure to comply with the terms of the EC Divestment Decision may result in the European Commission seeking to impose fines or other penalties on us. On January 10, 2023, we filed an action with the EU General Court asking for annulment of the New Interim Measures Order. On January 20, 2023, the European Commission requested that these proceedings be stayed pending our appeal on jurisdiction.

We submitted a filing indicating that we had no objections to the European Commission's request, and the EU General Court stayed the proceedings on February 21, 2023.

On September 6, 2022, the European Commission announced that it had completed its Phase II review of the Acquisition and adopted a final decision (the Prohibition Decision), which found that, in its view, our acquisition of GRAIL was incompatible with the internal market in Europe because it results in a significant impediment to effective competition. On November 17, 2022, we filed an action with the EU General Court asking for annulment of the Prohibition Decision. On October 12, 2023, the European Commission adopted the EC Divestment Decision requiring us to (among other things) divest GRAIL and imposing the transitional measures. On December 22, 2023, we filed an action with the EU General Court seeking an annulment of the EC Divestment Decision.

The Prohibition Decision, the EC Divestment Decision, and any order or decision by the FTC or any other governmental or regulatory authority pursuant to which Illumina is required to divest GRAIL (an FTC Divestment Decision), if implemented once final and non-appealable or during the pendency of the applicable appeals proceedings, and our obligations pursuant thereto, have imposed in the past and may impose in the future significant costs and additional liabilities on us, including significant legal, financial advisory, regulatory and other professional services fees and additional expenses, and may result in loss of revenue and other adverse effects on our business, financial condition and results of operations. Such adverse effects could include divesting GRAIL on terms that are materially worse than the terms on which we acquired GRAIL. Furthermore, we may not be able to direct the timing, structure or financial terms of such divestment, which could result in negative financial or tax consequences. For example, we are unlikely to be able to, in a sale of GRAIL, effect such sale in a non-taxable transaction and so would incur significant tax liabilities attributable to the recognition of taxable gain equal to the difference between (i) the fair market value of any consideration received and (ii) our tax basis in GRAIL (which tax basis is currently estimated to be between zero and \$500 million). In addition, any such divestment will likely implicate certain provisions in our third-party contracts and other agreements, including our obligations with respect to the contingent value rights (the CVRs) issued by us as part of the Acquisition. We may be unable to fully discharge our obligations with respect to the CVRs in connection with any such divestiture, and/or such divestiture may result in a change in obligor on the CVRs. To the extent that Illumina has remaining obligations under the CVR Agreement following a divestment, Illumina may have more difficulty estimating the future liabilities associated with any liability associated with the CVRs once it no longer owns GRAIL. Moreover, the business of GRAIL may be adversely affected by any such divestment, which could adversely affect the market value of the CVRs. The EC Divestment Decision requires us to ensure that GRAIL has access to sufficient funds to cover at least 2.5 years of operations according to its latest long-range plan. We expect the amount of such funding will be approximately \$1 billion, which includes cash from GRAIL's balance sheet.

The Initial Interim Measures Order, the New Interim Measures Order, the Prohibition Decision, and the EC Divestment Decision, or an FTC Divestment Decision or any other order or decision by any other governmental or regulatory authority, if implemented once final and non-appealable or during the pendency of the applicable appeals proceedings, have in the past and could may also in the future divert management's attention and company resources away from existing operations and other opportunities that may have been beneficial to us, any or all of which, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operation. We have experienced and might continue to experience negative impacts on our stock price. We cannot predict what other adverse consequences to, among other things, our reputation, our relationships with governmental or regulatory authorities, or our ability to successfully complete future transactions, our ability to attract, retain and motivate customers, key personnel and those with whom we conduct business may result.

On July 12, 2023, the European Commission adopted a final decision finding that we breached the EU Merger Regulation by, in its view, acquiring the possibility to exert decisive influence over GRAIL and exerting such influence during the pendency of the European Commission's review (the Article 14(2)(b) Decision). The European Commission therefore imposed a fine on us pursuant to Article 14(2)(b) of the EU Merger Regulation of

approximately €432 million, representing the maximum fine of 10% of our consolidated annual revenues for fiscal year 2022. We provided guarantees in October 2023 to satisfy the obligation in lieu of cash payment while we appeal the European Commission's jurisdictional decision and fine decision. As of March 31, 2024, we accrued \$478 million, including related accrued interest and foreign currency fluctuations, included in accrued liabilities. In addition, the European Commission, the FTC and/or other governmental or regulatory authorities may seek to impose other fines, penalties, remedies or restrictions. We expect to continue to hold the assets or equity interests of GRAIL separate until the divestment of GRAIL is effected, which could result in additional costs or liabilities, loss of revenue and other adverse effects on our business, financial condition and results of operations. In addition, under applicable accounting rules, we may be required from time to time to perform interim analyses of the value of GRAIL. To the extent that the value of GRAIL on a standalone basis is less than its book value, we would be required to record an impairment on our consolidated financial statements. For example, as previously disclosed, we recorded a goodwill impairment of \$712 million related to our GRAIL reporting unit in the third quarter of 2023, primarily due to a decrease in our consolidated market capitalization and a higher discount rate selected for the fair value calculation of the GRAIL reporting unit.

On December 17, 2023, we announced that we will divest GRAIL. The divestiture is expected to be executed through a third-party sale or capital markets transaction in accordance with the EC Divestment Decision, with the goal of finalizing the terms of the divestiture by the end of the second quarter of 2024. There can be no assurance regarding the ultimate timing of the divestiture of GRAIL. Completion of the divestiture of GRAIL will be subject to the satisfaction of certain conditions, including, the receipt of required regulatory approvals. There can be no assurance regarding the ultimate timing of the divestiture of GRAIL. Unanticipated developments could delay, prevent or otherwise adversely affect the divestiture of GRAIL, including but not limited to disruptions in general or financial market conditions or potential problems or delays in obtaining various regulatory clearances.

Furthermore, we have and may continue to become subject to stockholder inspection demands under Delaware law, investigations initiated by regulators and law firms, and derivative or other similar litigation that can be expensive, divert management attention and human and financial capital to less productive uses and result in potential reputational damage. The GRAIL acquisition and subsequent litigation resulted in (i) the announcement of an investigation by the SEC and others by law firms of possible securities law violations; (ii) stockholder inspection demands seeking to investigate possible breaches of fiduciary duties, corporate wrongdoing or a lack of independence of the members of the Board, including a complaint filed in the Delaware Court of Chancery seeking to inspect books and records captioned *Pavers and Road Builders Benefit Funds v. Illumina, Inc.*; (iii) the filing of four securities class actions in the United States District Court for the Southern District of California: *Kangas v. Illumina, Inc. et al.*, *Roy v. Illumina, Inc. et al.*, *Louisiana Sheriffs' Pension & Relief Fund v. Illumina, Inc. et al.* and *Warner v. deSouza et al.*; (iv) the filing of a securities class action in the United States District Court for the District of Delaware captioned *Wang v. deSouza et al.*; (v) the filing of two securities class actions in the Superior Court of the State of California, County of San Mateo: *Loren Scott Mar v. Illumina, et al.* and *Scott Zerzanek v. Illumina, Inc. et al.*; (vi) the filing of a stockholder derivative and class action complaint captioned *Icahn Partners LP, et al. v. deSouza, et al.*; (vii) the filing of a stockholder derivative complaint captioned *City of Omaha Police and Firefighters Retirement System v. deSouza, et al.*; and (viii) the filing of a stockholder derivative complaint captioned *City of Roseville General Employees Retirement System, et al. v. deSouza, et al.* The *Icahn Partners LP, et al. v. deSouza, et al.*, *City of Omaha Police and Firefighters Retirement System v. deSouza, et al.* and *City of Roseville General Employees Retirement System, et al. v. deSouza, et al.* complaints, purportedly brought on behalf of Illumina, and in *Icahn Partners LP*, also public holders of Illumina's common stock, were filed in the Delaware Court of Chancery against certain current and former directors and officers. We are named as a nominal defendant in the complaints. The *Icahn Partners LP, et al. v. deSouza, et al.* lawsuit alleges the named directors breached their fiduciary duties by knowingly causing Illumina to unlawfully close the GRAIL acquisition, concealing material facts related to the GRAIL acquisition and making inadequate disclosures. The *City of Omaha Police and Firefighters Retirement System v. deSouza, et al.* and *City of Roseville General Employees Retirement System, et al. v. deSouza, et al.* lawsuits allege the named directors and officers breached their fiduciary duties by causing Illumina to unlawfully close the GRAIL acquisition. See note "7. Legal Proceedings" within the Consolidated Financial Statements for further details. In the event that any of the matters described above result in one or more adverse judgments or settlements, we may experience an adverse impact on our financial condition, results of operations or stock price.

SHARE REPURCHASES AND SALES

Purchases of Equity Securities by the Issuer

None during the quarterly period ended March 31, 2024.

Unregistered Sales of Equity Securities

None during the quarterly period ended March 31, 2024.

ADOPTIONS, MODIFICATIONS OR TERMINATIONS OF TRADING PLANS

During the quarterly period ended March 31, 2024, the following directors and officers adopted, modified or terminated 10b5-1 plans:

- On February 28, 2024, Charles Dadswell, our General Counsel, entered in a new arrangement intended to satisfy the affirmative defense conditions of Rule 10b5-1(c). The arrangement terminates on December 31, 2024 and provides for the sale of up to 16,695 shares.
- On March 8, 2024, Alex Aravanis, our former Chief Technology Officer, Head of Research and Product Development, terminated a trading arrangement he had previously adopted with respect to the sale of securities of the Company's common stock in connection with his departure from the Company. The arrangement was adopted on May 9, 2023, had a termination date of May 9, 2024, and provided for the sale of up to 15,486 shares of common stock pursuant to the terms of the plan.

Other than as disclosed above, during the quarterly period ended March 31, 2024, (i) none of the Company's directors or officers adopted or terminated any "Rule 10b5-1 trading arrangement" or any "non-Rule 10b5-1 trading arrangement," and (ii) the Company did not adopt a "10b5-1 trading arrangement," in each case as such term is defined in Item 408 of Regulation S-K.

EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Exhibit	Filing Date	
+10.1	Separation Agreement and Release of All Claims by and between Illumina, Inc. and Kathryn Reeves, dated March 19, 2024					X
31.1	Certification of Jacob Thaysen pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Ankur Dhingra pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of Jacob Thaysen pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Ankur Dhingra pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
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					X
101.SCH	XBRL Taxonomy Extension Schema					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase					X
101.LAB	XBRL Taxonomy Extension Label Linkbase					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase					X
104	Cover Page Interactive Data File - formatted in Inline XBRL and included as Exhibit 101					X

+ Management contract or corporate plan or arrangement

* Certain schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the SEC upon request.

FORM 10-Q CROSS-REFERENCE INDEX

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	6
Condensed Consolidated Balance Sheets	6
Condensed Consolidated Statements of Operations	7
Condensed Consolidated Statements of Comprehensive Loss	8
Condensed Consolidated Statement of Stockholders' Equity	9
Condensed Consolidated Statements of Cash Flows	11
Notes to Condensed Consolidated Financial Statements	12
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 3. Quantitative and Qualitative Disclosures About Market Risk	36
Item 4. Controls and Procedures	36
 PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	36
Item 1A. Risk Factors	37
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	40
Item 3. Defaults Upon Senior Securities	None
Item 4. Mine Safety Disclosures	Not Applicable
Item 5. Other Information	40
Item 6. Exhibits	41
Signatures	43

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: May 3, 2024

By: /s/ ANKUR DHINGRA
Name: Ankur Dhingra
Title: Chief Financial Officer

SEPARATION AGREEMENT AND GENERAL RELEASE OF ALL CLAIMS

This Separation Agreement and General Release of All Claims ("Agreement") is made by and between Illumina, Inc. ("Illumina" or "the Company") and Kathryn Reeves ("Employee"), collectively ("the parties"), with respect to the following facts:

- A. Employee is employed by Company.
- B. Employee's position as S.V.P. Chief Marketing Officer will be eliminated effective March 22, 2024 ("Separation Date"). Employee is entitled to receive sixty days of her normal compensation as notice of the termination of her employment, in the amount of \$ 91,667.00. That notice will be paid on or about April 19, 2024. In addition, if she signs and returns this Agreement, she will receive the Severance described in Paragraph 1.
- C. As of the Separation Date, Employee acknowledges that Employee has received or will have received all compensation, wages, commissions, equity awards, earned bonuses, accrued but unused Paid Time Off if any, and expense reimbursements owed to Employee by the Company.
- D. The Company wishes to assist Employee in Employee's transition to other employment and has offered to provide Employee with a severance payment and benefits as described below.

THEREFORE, in consideration of the promises and mutual agreements hereinafter set forth, it is agreed by and between the undersigned as follows:

1. Severance.

1.1 The Company agrees to pay Employee a Severance Payment equal to 52 weeks of Employee's normal wages in the amount of \$550,000.00, less all appropriate federal and state tax withholdings, an amount to which Employee is not otherwise entitled but for Employee's execution and non-revocation of this Agreement ("Severance Payment"). Employee acknowledges and agrees that this Severance Payment constitutes adequate legal consideration for the promises and representations made by Employee in this Agreement. Subject to the provisions below, the Severance Payment will be made in a lump sum payment within thirty days after all of the following: (1) the Effective Date of this Agreement (as described in paragraph 8.4 below); and (2) Employee has timely returned to the Company all Company property in Employee's possession, custody, or control (according to paragraph 11).

1.2 The Company agrees to pay the cost of premiums for continued health insurance coverage through the provisions of the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), for a period of 12 months following the termination of Employee's benefits. Employee acknowledges and agrees that Employee is not entitled to this COBRA payment, and will receive this benefit solely by virtue of Employee's execution and non-revocation of this Agreement. These sums will be paid directly to Illumina's carrier provided that the Employee timely and properly completes all required elections to continue coverage under COBRA. Thereafter, Employee may elect to continue such benefits at Employee's own expense under the provisions of COBRA. The Company will not be responsible for out-of-pocket medical expenses should Employee fail to timely and properly elect continuation of coverage through COBRA.

2. General Release. In exchange for the consideration provided in paragraph 1 of this Agreement, Employee agrees to the following:

2.1. Employee unconditionally, irrevocably, and absolutely releases and discharges the Company, and any parent and subsidiary corporations, divisions, and other affiliated entities of the Company, past and present, as well as the Company's employees, officers, directors, agents, attorneys, successors, and assigns of the Company (collectively, "Released Parties"), from any and all claims related in any way to the transactions or occurrences between them to date to the fullest

extent permitted by law including, but not limited to, Employee's employment with the Company, the termination of Employee's employment, and all other losses, liabilities, claims, demands, and causes of action, known or unknown, suspected or unsuspected, arising directly or indirectly out of, or in any way connected with, Employee's employment with or termination from the Company. This release is intended to have the broadest possible application and includes, but is not limited to, any claims under any law, tort, contract, common law, constitutional or other statutory claims; any claim for unpaid wages, paid time off, commissions, bonuses, or other employment benefits, including claims for unvested stock options or incentive/bonus compensation (including claims for unvested Equity Awards and/or benefits under the Variable Compensation Plans); any claims for penalties, damages, or awards of any kind, including without limitation liquidated damages and statutory penalties; as well as alleged violations of any federal, state, or local laws that may govern Employee's employment, including, without limitation, the California Labor Code or the federal Fair Labor Standards Act; Title VII of the Civil Rights Act; the Family and Medical Leave Act; the California Family Rights Act; the Worker Adjustment and Retraining Notification Act (including any similar state statute); the Sarbanes-Oxley Act; the California Fair Employment and Housing Act; the Americans with Disabilities Act; the Age Discrimination in Employment Act; the Older Workers' Benefit Protection Act; any state or local laws, regulations, or ordinances that may apply to Employee's place of employment; all claims for attorneys' fees, costs, and expenses; and any other action, whether cognizable in law or in equity, based upon any conduct up to and including the date of the signatures on this Agreement. However, this release shall not apply to claims for workers' compensation benefits, unemployment insurance benefits, or any other claims that cannot lawfully be waived.

2.2. Employee acknowledges that Employee may discover facts or law different from, or in addition to, the facts or law that Employee knows or believes to be true with respect to the claims released in this Agreement and agrees, nonetheless, that this Agreement and the release contained in it shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery of them.

2.3. Employee declares and represents that Employee intends this Agreement to be final and complete and not subject to any claim of mistake. Employee executes this release with the full knowledge that this release covers all possible claims against the Released Parties, to the fullest extent permitted by law.

2.4. Nothing in this Agreement prohibits Employee from filing a claim or charge with a federal, state, or local agency relating to Employee's employment with the Company, or participating in government investigations or actions. However, Employee expressly waives Employee's right to recover any type of personal relief from the Company, including monetary damages or reinstatement, in any administrative action or proceeding, whether state or federal, and whether brought by Employee or on Employee's behalf by an administrative agency. Nothing in this paragraph is intended to prevent or discourage the Employee from communicating with or providing information to any state or federal governmental agency, nor is it intended to impede Employee's rights to recover any rewards or other payments as may be provided for under applicable law.

2.5. Employee declares and represents that as of the Effective Date of this Agreement Employee is not aware of any violations of any applicable rules, regulations and/or laws by Illumina or any employee of Illumina; or that if he/she is aware of or is concerned about any such violations, Employee has reported those to the Company.

3. California Civil Code Section 1542 Waiver. Employee expressly acknowledges and agrees that all rights under section 1542 of the California Civil Code are expressly waived. That section provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Employee understands that Employee is a “creditor” within the meaning of section 1542.

4. Representation Concerning Filing of Legal Actions. Employee represents that, as of the date of this Agreement, Employee has not filed any lawsuits, complaints, petitions, claims, or other accusatory pleadings against the Company or any of the other Released Parties in any court or arbitral forum. Employee further agrees that, to the fullest extent permitted by law, Employee will not prosecute in any court or arbitral forum, whether state or federal, any claim or demand of any type related to the matters released above, it being the intention of the parties that with the execution of this release, the Released Parties will be absolutely, unconditionally, and forever discharged of and from all obligations to or on behalf of Employee related in any way to the matters discharged herein. Nothing in this Agreement shall prevent Employee from complying with a lawfully issued subpoena, filing an administrative charge with a state or federal governmental agency, or communicating with or providing information to a state or federal governmental agency.

5. Non-Disclosure. After the Separation Date, Employee will continue to be bound by Employee’s Proprietary Information and Invention Agreement (“PIIA”).

5.1. Notwithstanding anything contained herein, or any other confidentiality obligation to which Employee may be or may have been subject to as a result of Employee’s employment with the Company, including Employee’s PIIA, nothing shall prohibit Employee from communicating with government authorities regarding possible legal violations as provided by law.

5.2. Employee is advised that pursuant to the Defend Trade Secrets Act, an individual shall not be held criminally or civilly liable under any federal or trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. However, Employee understands that in the event the disclosure of Company’s trade secrets is not done in good faith pursuant to the above, Employee will be subject to damages, including punitive damages and attorneys’ fees.

6. No Admissions. By entering into this Agreement, the Released Parties make no admission that they have engaged, or are now engaging, in any unlawful conduct. The parties understand and acknowledge that this Agreement is not an admission of liability and shall not be used or construed as such in any legal or administrative proceeding.

7. Agreement to Cooperate. Employee agrees that Employee will, in good faith and with due diligence, assist in, facilitate, and cooperate with the Company and provide information as to matters which Employee was personally involved, or has information on, while Employee was an employee of the Company and which become the subject of an action, investigation, proceeding, litigation, or otherwise. Employee agrees to be available, upon reasonable notice, to be interviewed, give sworn testimony and statements, declarations, trial testimony, and other such disclosures. Nothing herein is intended or should be construed as requiring anything other than Employee’s cooperation in providing truthful and accurate information.

8. Older Workers’ Benefit Protection Act. This Agreement is intended to satisfy the requirements of the Older Workers’ Benefit Protection Act, 29 U.S.C. sec. 626(f). The following general provisions, along with the other provisions of this Agreement, are agreed to for this purpose:

8.1. Employee acknowledges and agrees that Employee has read and understands the terms of this Agreement.

8.2. Employee is advised that Employee should consult with an attorney before signing this Agreement, and Employee acknowledges that Employee has obtained and considered any legal advice Employee deems necessary, such that Employee is entering into this Agreement freely, knowingly, and voluntarily.

8.3. Employee acknowledges that Employee has been given at least forty-five (45) calendar days in which to consider whether or not to enter into this Agreement ("Consideration Period"). Employee understands that, at Employee's option, Employee may elect not to use the full Consideration Period. If Employee signs and returns this Agreement prior to the expiration of the Consideration Period, Employee acknowledges that Employee has done so freely, knowingly, and voluntarily.

8.4. This Agreement shall not become effective or enforceable until the eighth day after Employee signs this Agreement. In other words, Employee may revoke Employee's acceptance of this Agreement within seven days after the date Employee signs it ("Revocation Period"). Employee's revocation must be in writing and received by Illumina no later than the conclusion of the Revocation Period in order to be effective. If Employee does not revoke Employee's acceptance within the Revocation Period, Employee's acceptance of this Agreement shall become binding and enforceable on the eighth day ("Effective Date"). Employee's revocation, if any, must be submitted to HumanResources@illumina.com by email.

8.5. Employee acknowledges that Illumina has provided Employee with the attached Exhibit A, which sets forth, among other items: (1) a description of the decisional unit from which employees were selected for this reduction in force; (2) a list of the job titles and ages of those employees in the relevant decisional unit who were and were not selected for termination and receipt of the severance benefits described above in exchange for a release of claims; and (3) the criteria used to select employees in the relevant decisional unit for this reduction in force.

8.6. This Agreement does not waive or release any rights or claims that Employee may have under the Age Discrimination in Employment Act that arise after the execution of this Agreement.

8.7. Employee understands that Employee may not sign this Agreement until on or after the Separation Date. If Employee signs this Agreement prior to the Separation Date, this Agreement shall be null and void unless re-signed on or after the Separation Date.

9. Severability. In the event any provision of this Agreement shall be found unenforceable by a court of competent jurisdiction, the provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the Released Parties shall receive the benefits contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

10. Deadline For Agreement Execution. This Agreement constitutes an offer to Employee, which must be accepted by Employee and returned to the Company by no later than the conclusion of the Consideration Period described in paragraph 8.3, above, after which date the offer made herein shall lapse and be of no further force or effect.

11. Return of Company Property. Employee understands and agrees that as a condition of receiving the Severance Payment and COBRA benefits offered within this Agreement, all Company property, including any Proprietary Information or Company Documents, still in Employee's possession, if any, must be immediately returned to the Company. By signing this Agreement, Employee represents and warrants that Employee has or will have returned such Company Property no later than Employee's Separation Date, including any Company issued or provided credit cards, computers, vehicles, tangible property and equipment, keys, entry cards, identification badges, telephones, PDAs, and all documents, files, folders, correspondence, memoranda, notes, notebooks, drawings, books, records, plans, forecasts, reports, proposals, agreements, financial information, computer-recorded information, as well as all copies thereof, electronic or otherwise.

12. Applicable Law. The validity, interpretation, and performance of this Agreement shall be construed and interpreted according to the laws of the United States of America and the State of California.

13. Binding on Successors; Full Defense. The parties agree that this Agreement shall be binding on, and inure to, the benefit of Employee or Employee's successors, heirs and/or assigns.

14. Full Defense. This Agreement may be pled as a full and complete defense to, and may be used as a basis for an injunction against, any action, suit, or other proceeding that may be prosecuted, instituted, or attempted by Employee in breach hereof. Employee agrees that in the event an action or proceeding is instituted by the Released Parties in order to enforce the terms or provisions of this Agreement, the Released Parties shall be entitled to an award of reasonable costs and attorneys' fees incurred in connection with enforcing this Agreement. The terms of this paragraph shall not apply to an action by Employee to challenge the enforceability of Employee's waiver of rights under the Age Discrimination in Employment Act.

15. Good Faith. The parties agree to do all things necessary and to execute all further documents necessary and appropriate to carry out and effectuate the terms and purposes of this Agreement.

16. Entire Agreement; Integration. This Agreement contains the entire agreement between the Company and the Employee on the subjects addressed in this Agreement and replaces any other prior agreements or representations, whether oral or written, between them, provided, however, that any proprietary information agreement executed by Employee remains in full force and effect and is not superseded by this Agreement.

17. Modification; Counterparts. This Agreement may be amended only by a written instrument executed by all parties hereto. This Agreement may be executed in counterparts and shall be binding on all parties when each has signed either an original or copy of this Agreement.

18. Confidentiality. Employee agrees that the terms and conditions of this Agreement, shall remain confidential as between the parties, and Employee shall not disclose them to any other person, including, but not limited to, any current or former Company employee. Employee also agrees Employee will not respond to, participate in, or contribute to any public discussion or other publicity concerning, or in any way relating to, execution of this Agreement or the events (including any negotiations) leading to its execution. Without limiting the foregoing, the Employee may disclose the monetary aspects of this Agreement to Employee's spouse, attorneys or financial advisors provided Employee informs them of this confidentiality provision and they agree, in writing, to abide by it. A violation of this Confidentiality provision shall be a material breach of this Agreement.

19. Non-Disparagement. Neither Employee, nor anyone subject to Employee's direction or control, will make any negative, derogatory or disparaging statements, publications or comments, regarding Employee's employment with the Company or the business reputation or business practices of the Company and/or the Released Parties to any person or entity. This section will in no way prevent Employee from testifying truthfully pursuant to an enforceable subpoena or communicating with a governmental agency. Further, nothing in this Agreement is intended to suppress or limit Employee's right to testify in any administrative, legislative or judicial forum about alleged criminal or unlawful conduct, or to prevent the discussion or disclosure of factual information related to claims of unlawful acts in the workplace, such as harassment or discrimination, or any other conduct that Employee has reason to believe is unlawful, to the extent such communications are expressly protected under California law.

THE PARTIES TO THIS AGREEMENT HAVE READ THE FOREGOING AGREEMENT AND FULLY UNDERSTAND EACH AND EVERY PROVISION CONTAINED HEREIN. WHEREFORE, THE PARTIES HAVE EXECUTED THIS AGREEMENT ON THE DATES SHOWN BELOW.

Dated: March 18, 2024 By: /s/ Kathryn Reeves

Kathryne Reeves, Employee

Dated: March 18, 2024 By: /s/ Herman Sotomayor

Herman Sotomayor, Sr. Director, HR

Illumina, Inc.

CERTIFICATION OF JACOB THAYSEN PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jacob Thaysen, 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: May 3, 2024

By: /s/ JACOB THAYSEN
Name: Jacob Thaysen
Title: Chief Executive Officer

CERTIFICATION OF ANKUR DHINGRA PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ankur Dhingra, 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: May 3, 2024

By: /s/ ANKUR DHINGRA
Name: Ankur Dhingra
Title: Chief Financial Officer

**CERTIFICATION OF JACOB THAYSEN 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 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jacob Thaysen, 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: May 3, 2024

By: /s/ JACOB THAYSEN
Name: Jacob Thaysen
Title: 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 of 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 ANKUR DHINGRA 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 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ankur Dhingra, 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: May 3, 2024

By: /s/ ANKUR DHINGRA
Name: Ankur Dhingra
Title: 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 of 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.