ILMN Q322 Summary of Prepared Remarks

Revenue - Core Illumina

	Q322	Yr/Yr	Qtr/Qtr	Management Commentary
Sequencing Consumables	$725M	—%	-3%	• Growth driven by the increased installed base was muted by the year-over-year impact of customer inventory and cash management, headwinds from foreign exchange rates, the conclusion of the UK BioBank project in Q3 2021, and the anticipated decrease in COVID surveillance revenue • Clinical sequencing consumables shipments were up 5% year-over-year, driven by continued growth in oncology testing (consumables shipments up 5% Yr/Yr) and in genetic disease testing (consumables shipments up 11% Yr/Yr) • COVID surveillance contributed $23 million in sequencing consumables revenue
Microarrays Consumables	$76M	+7%	+3%	
Total Consumables	$801M	+1%	-2%	
Sequencing Instruments	$162M	-10%	-15%	• Yr/Yr decline driven by lower NovaSeq shipments due to expected customer lab expansion delays and capital management, as well as purchasing delays in advance of next year's availability of NovaSeq X • This decline was partially offset by record NextSeq 1K/2K shipments, which grew 40% year-over-year as we continue to see strong adoption by new-to-Illumina customers. • COVID surveillance contributed $5 million in incremental instruments revenue
Microarrays Instruments	$5M	+25%	+67%	
Total Instruments	$167M	-9%	-13%	
Total Products	$968M	-1%	-4%	
Sequencing Service & Other	$123M	+12%	-2%	• Growth was driven primarily by higher instrument service contract revenue on a growing installed base and an increase in core licensing revenue
Microarrays Service & Other	$19M	+6%	-5%	
Total Service & Other	$142M	+11%	-2%	
Total Revenue - Core Illumina	$1,110M	—%	-4%	• 3% growth Yr/Yr on a constant currency basis, net of the effects of hedging

Revenue by Geographic Location - Core Illumina

	Q322	Yr/Yr	Qtr/Qtr	Management Commentary
Americas	$592M	+2%	-6%	• Yr/Yr growth driven by NovaSeq consumables growth due to demand from genetic disease testing, oncology testing and cancer research customers. • As expected, growth in the region was largely offset by customer lab expansion delays and inventory and capital management, as well as a decline in COVID surveillance revenue
EMEA	$290M	-7%	-6%	• 2% decrease Yr/Yr on a constant currency basis, net of the effect of hedges • Strong growth Yr/Yr in mid-throughput instrument shipments driven by clinical demand was more than offset by the conclusion of the UK BioBank program and a decline in COVID surveillance revenue
Asia Pacific	$95M	+6%	-2%	• 10% growth Yr/Yr on a constant currency basis, net of the effects of hedges • Yr/Yr growth in the region was driven by strong demand in emerging markets, notably in India, Indonesia and Thailand, and continued strength in NIPT and oncology testing
Greater China	$133M	+9%	+13%	• 14% growth Yr/Yr on a constant currency basis • Record quarterly revenue in the region was driven by growth in sequencing consumables for routine NGS-based research that resumed after the COVID restrictions that began in March this year were lifted, as well as strong sales of NovaSeq 6000 primarily to Clinical customers for oncology testing • We continue to expect base business growth to be impacted by headwinds from the zero-COVID-19 policy, exchange rates, and slowing GDP growth in the region

Core Illumina Updates

	Management Commentary
High-Throughput (HT): NovaSeq X, NovaSeq & HiSeq	• We shipped 65 NovaSeq 6000s in Q3, down from the prior year, in line with our expectations • NovaSeq X Series launch at the Illumina Genomics Forum reached more than 12,000 viewers in our Innovation Roadmap Session • We already have an advanced pipeline of more than 170 instruments in addition to the 50 orders we have received • Our manufacturing scaling is proceeding well and we expect to ship 40-50 NovaSeq X units in Q1 2023 and over 300 units in the year • Launched the NovaSeq 6000 Dx, the first-ever FDA-registered and CE-marked IVD high-throughput sequencer
Mid-Throughput (MT): NextSeq	• Record NextSeq 1K/2K shipments, which were up 40% Yr/Yr, accelerated adoption of multiomics, primarily in cancer research, and cellular and molecular biology • Our launch of X-LEAP SBS Chemistry on NextSeq 1k/2k remains on track for 2024
Low-Throughput (LT): MiSeq, MiniSeq & iSeq	• Low-throughput shipments up 13% Yr/Yr

GRAIL Updates

	Management Commentary
GRAIL	• GRAIL revenue of $10 million for the quarter consisted primarily of Galleri test fees • GRAIL presented compelling final results from its PATHFINDER study at ESMO demonstrating that when added to standard-of-care screening, Galleri multi-cancer early detection testing more than doubled the number of cancers detected compared to standard screening alone. In fact, Galleri detected more cancers than all US Preventive Services Task Force-recommended standard single cancer screenings combined • Galleri's positive predictive value of about 40% is significantly higher than commonly used screening tests, like the annual screen for colorectal cancer which has a PPV of 8.7% or the biennial mammography screen with a PPV of 4.4% • Announced a first-of-its-kind partnership with Carrum Health, the first digital health company connecting employers and employees to centers of excellence through a value-based care platform. The partnership will provide Galleri, the only multi-cancer early detection test available, as part of Carrum's oncology offering to self-insured employers • John Hancock, the US division of Manulife with over 1.5 million life insurance participants, recently became the first life insurance carrier to offer Galleri

Q322 Non-GAAP Financial Highlights - Core Illumina

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

	Q322	Yr/Yr	Qtr/Qtr	Management Commentary
Gross margin	68.9%	-240bps	-90bps	• Decline Yr/Yr primarily due to less fixed cost leverage on lower manufacturing volumes and higher freight costs, partially offset by favorable product mix
Operating expenses	$514M	+$36M	-$5M	• Increase Yr/Yr due primarily to headcount growth and investments we are making in R&D to support the continued advancement of our innovation roadmap • Approximately $25 million lower than we had originally planned, as a result of lower performance-based compensation expense given our lower revenue outlook, as well as cost containment initiatives focused on prioritizing hiring and discretionary spend, including travel
Operating margin	22.6%	-540bps	-230bps	

Q322 Non-GAAP Financial Highlights - GRAIL

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

	Q322	Management Commentary
Operating expenses	$149M	• Consisted primarily of expenses related to headcount and clinical trials

Q322 Non-GAAP Financial Highlights - Consolidated

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

	Q322	Yr/Yr	Qtr/Qtr	Management Commentary
Operating expenses	$660M	+$132M	-$6M	
Other expense, net	$8M	+$2M	-$12M	
Tax rate	43.2%	+3,000bps	+1,740bps	• Increase Yr/Yr and Qtr/Qtr primarily due to the increased impact of R&D expense capitalization requirements implemented by the Tax Cuts and
Net income attributable to Illumina stockholders	$54M	-$167M	-$37M	• Includes dilution from GRAIL's non-GAAP operating loss of $148 million for the quarter
EPS attributable to Illumina stockholders (diluted)	$0.34	-77%	-40%	• Includes dilution from GRAIL's non-GAAP operating loss of $148 million for the quarter

	Q322	Yr/Yr	Qtr/Qtr	Management Commentary
Cash Flow from Operations	($52M)	+$220M	-$177M	• A net outflow due to a one-time payment related to the litigation settlement with BGI
DSO	51 days	+1 days	+1 days	• Increase due to revenue linearity
Capital expenditures	($67M)	+$15M	-$4M	
Free cash flow	($119M)	+$205M	-$173M	
Cash, cash equivalents & short-term Investments	$1.0B	-$224M	-$286M	

Consolidated Guidance

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

	FY22 Guidance	Management Commentary
FY22 Consolidated Revenue	Flat to +1%	• Revision reflects the more challenging expected macroeconomic headwinds we observed through October
FY22 Consolidated Non-	9.5% - 10.0%	• Revised outlook reflects our lower revenue outlook
FY22 Consolidated Non-GAAP Diluted EPS	$2.35 - $2.50	• Includes dilution from GRAIL non-GAAP operating loss of approximately $600 million • Expect non-GAAP diluted shares outstanding of 159 million
FY22 Consolidated Non-GAAP Tax Rate	7%	• Continues to assume that the R&D expense capitalization requirements implemented by the Tax Cuts and Jobs Act of 2017 will be repealed in Q4

Segment Guidance

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

	FY22 Guidance	Management Commentary

FY22 Core Illumina Revenue	~Flat	• Includes intercompany sales to GRAIL of approximately $25 million, which are eliminated in consolidation.
		• Approximately one-third of the reduction in our 2022 guidance is primarily driven by delayed recruitment for some large research projects in the Americas and Europe and the impact of inflation on Research customers in Europe. The remaining two-thirds of this reduction is split approximately 70/30 across two higher-than-expected factors:
		  ○ (1) delays in instruments and consumables purchases primarily due to the excitement around NovaSeq X;
		  ○ (2) negative FX impact and consumables inventory deleveraging
		• Now expect Core Illumina sequencing revenue to be approximately flat year-over-year.
		• Now expect instrument revenue to be slightly down year-over-year
		• Now expect consumables revenue to be approximately flat, which reflects NovaSeq pull-through slightly below our guidance range of $1.1 to $1.2 million per system for 2022, primarily driven by the recruitment challenges at some large Research and popgen customers. The remainder of our pull-through ranges are in line with the historical guidance ranges that we have previously provided

FY22 GRAIL Revenue	$55M - $65M	
FY22 GRAIL non-GAAP operating loss	($600M)	• Lower than previously expected as GRAIL continues to manage spend in light of its lower revenue outlook
FY22 Core Illumina non-GAAP Operating Margin	23.0%	• Revised outlook reflects our lower revenue outlook

Statement regarding use of non-GAAP financial measures

The company reports non-GAAP results for diluted earnings per share, net income, gross margin, operating expenses, including research and development expense, selling general and administrative expense, legal contingencies and settlement, and goodwill impairment, operating income (loss), operating margin, gross profit, other income (expense), constant currency revenue growth, and free cash flow (on a consolidated and, as applicable, segment basis for our Core Illumina and GRAIL segments) in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. The company's financial measures under GAAP include substantial charges such as amortization of acquired intangible assets among others that are listed in the itemized reconciliations between GAAP and non-GAAP financial measures included in this press release, as well as the effects of currency translation. Management has excluded the effects of these items in non-GAAP measures to assist investors in analyzing and assessing past and future operating performance, including in the non-GAAP measures related to our Core Illumina and GRAIL segments. Additionally, non-GAAP net income and diluted earnings per share are key components of the financial metrics utilized by the company's board of directors to measure, in part, management's performance and determine significant elements of management's compensation.

The company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. Reconciliations between GAAP and non-GAAP results are presented in the tables of this release.

Use of forward-looking statements

This release may contain forward-looking statements that involve risks and uncertainties. Among the important factors to which our business is subject that could cause actual results to differ materially from those in any forward-looking statements are: (i) the impact to our business and operating results of the COVID-19 pandemic; (ii) changes in the rate of growth in the markets we serve; (iii) the volume, timing and mix of customer orders among our products and services; (iv) our ability to adjust our operating expenses to align with our revenue expectations; (v) our ability to manufacture robust instrumentation and consumables; (vi) the success of products and services competitive with our own; (vii) challenges inherent in developing, manufacturing, and launching new products and services, including expanding or modifying manufacturing operations and reliance on third-party suppliers for critical components; (viii) the impact of recently launched or pre-announced products and services on existing products and services; (ix) our ability to further develop and commercialize our instruments, consumables, and products, including Galleri, the cancer screening test developed by GRAIL, to deploy new products, services, and applications, and to expand the markets for our technology platforms; (x) the risks and costs associated with the integration of, and our ability to integrate, GRAIL's business successfully to achieve anticipated synergies, including the restrictions on integration during any hold separate period or any delay in integration following any hold separate period; (xi) the risk that disruptions from the consummation of our acquisition of GRAIL or any associated legal or regulatory proceedings, including any related appeals, or obligations will harm our business, including current plans and operations; (xii) potential adverse reactions or changes to business relationships resulting from the consummation of our acquisition of GRAIL; (xiii) the risk of incurring fines associated with the consummation of our acquisition of GRAIL and the possibility that we may be required to divest all or a portion of the assets or equity interests of GRAIL on terms that could be materially worse than the terms on which we acquired GRAIL; (xiv) our ability to obtain approval by third-party payors to reimburse patients for our products; (xv) our ability to obtain regulatory clearance for our products from government agencies; (xvi) our ability to successfully partner with other companies and organizations to develop new products, expand markets, and grow our business; (xvii) our ability to successfully identify and integrate acquired technologies, products, or businesses; (xviii) the application of generally accepted accounting principles, which are highly complex and involve many subjective assumptions, estimates, and judgments and (xix) legislative, regulatory and economic developments, together with other factors detailed in our filings with the Securities and Exchange Commission, including our most recent filings on Forms 10-K and 10-Q, or in information disclosed in public conference calls, the date and time of which are released beforehand. We undertake no obligation, and do not intend, to update these forward-looking statements, to review or confirm analysts' expectations, or to provide interim reports or updates on the progress of the current quarter.

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

	Three Months Ended		Nine Months Ended	
	October 2, 2022	**October 3, 2021**	**October 2, 2022**	**October 3, 2021**
Net cash (used in) provided by operating activities	**$ (52)**	$ (272)	**$ 245**	$ 263
Net cash used in investing activities	**(250)**	(2,448)	**(489)**	(1,069)
Net cash provided by (used in) financing activities	**28**	(394)	**44**	78
Effect of exchange rate changes on cash and cash equivalents	**(15)**	(2)	**(32)**	(2)
Net decrease in cash and cash equivalents	**(289)**	(3,116)	**(232)**	(730)
Cash and cash equivalents, beginning of period	**1,289**	4,196	**1,232**	1,810
Cash and cash equivalents, end of period	**$ 1,000**	$ 1,080	**$ 1,000**	$ 1,080
Calculation of free cash flow:				
Net cash (used in) provided by operating activities	**$ (52)**	$ (272)	**$ 245**	$ 263
Purchases of property and equipment	**(67)**	(52)	**(198)**	(138)
Free cash flow **(a)**	**$ (119)**	$ (324)	**$ 47**	$ 125

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

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

	Three Months Ended October 2, 2022					
	Q3 2022	Q3 2021	Growth %	2022 Currency Impact	2022 Constant Currency Revenues (a)	Constant Currency Growth % (a)
Core Illumina	**$ 1,110**	$ 1,106	**— %**	$ 27	$ 1,137	3 %
GRAIL	**10**	2	**400 %**	—	10	400 %
Eliminations	**(5)**	—	**100 %**	—	(5)	100 %
Consolidated revenue	**$ 1,115**	$ 1,108	**1 %**	$ 27	$ 1,142	3 %

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

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

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

	Three Months Ended		Nine Months Ended	
	October 2, 2022	**October 3, 2021**	**October 2, 2022**	**October 3, 2021**
GAAP (loss) earnings per share - diluted	**$ (24.26)**	$ 2.08	**$ (27.13)**	$ 4.36
Cost of revenue **(b)**	**0.29**	0.12	**0.79**	0.21
R&D expense **(b)**	**0.01**	1.28	**0.01**	1.32
SG&A expense **(b)**	**(1.22)**	3.86	**(0.82)**	5.94
Legal contingency and settlement **(b)**	**(0.07)**	—	**3.81**	—
Goodwill impairment **(b)**	**24.89**	—	**24.89**	—
Other expense (income), net **(b)**	**0.04**	(6.35)	**0.53**	(6.53)
GILTI and U.S. foreign tax credits **(c)**	**0.19**	—	**0.38**	—
Incremental non-GAAP tax benefit (expense) **(d)**	**0.48**	0.47	**(0.48)**	(0.05)
Income tax (benefit) provision **(e)**	**—**	(0.01)	**0.03**	(0.05)
Effect of dilutive shares **(f)**	**(0.01)**	—	**(0.03)**	—
Non-GAAP earnings per share - diluted **(a)**	**$ 0.34**	$ 1.45	**$ 1.98**	$ 5.20
GAAP diluted shares	**157**	153	**157**	149
Non-GAAP dilutive shares **(g)**	**2**	—	**2**	—
Non-GAAP diluted shares	**159**	153	**159**	**149**

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

	Three Months Ended		Nine Months Ended	
	October 2, 2022	**October 3, 2021**	**October 2, 2022**	**October 3, 2021**
GAAP net (loss) income	**$ (3,816)**	$ 317	**$ (4,265)**	$ 650
Cost of revenue **(b)**	**46**	18	**124**	32
R&D expense **(b)**	**1**	196	**1**	196
SG&A expense **(b)**	**(191)**	591	**(129)**	885
Legal contingency and settlement **(b)**	**(11)**	—	**598**	—
Goodwill impairment **(b)**	**3,914**	—	**3,914**	—
Other expense (income), net **(b)**	**7**	(971)	**83**	(973)
GILTI and U.S. foreign tax credits **(c)**	**30**	—	**60**	—
Incremental non-GAAP tax benefit (expense) **(d)**	**74**	71	**(77)**	(8)
Income tax (benefit) provision **(e)**	**—**	(1)	**5**	(7)
Non-GAAP net income **(a)**	**54**	221	**314**	775
Add: interest expense on convertible notes, net of tax **(h)**	**1**	—	**1**	—
Non-GAAP net income - for diluted earnings per share	**$ 55**	$ 221	**$ 315**	$ 775

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

(a) Non-GAAP net income and diluted earnings per share exclude the effects of the pro forma adjustments as detailed above. Non-GAAP net income and diluted earnings per share are key components of the financial metrics utilized by the company's board of directors to measure, in part, management's performance and determine significant elements

of management’s compensation. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing our past and future operating performance.
(b) Refer to our Itemized Reconciliations between GAAP and Non-GAAP Results of Operations below for the components of these amounts.
(c) Amounts represent the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.
(d) Incremental non-GAAP tax expense reflects the tax impact of the non-GAAP adjustments listed.
(e) Amounts represent the difference between book and tax accounting related to stock-based compensation cost.
(f) In loss periods, GAAP diluted loss per share excludes dilutive potential common shares as the effect of including these shares in the calculation is anti-dilutive. The amounts represent the impact of dilutive shares to non-GAAP diluted earnings per share, which is calculated using weighted-average shares, adjusted for dilutive potential shares that were assumed outstanding during Q3 2022 and YTD 2022.
(g) The amounts represent potentially dilutive shares from the 2023 Convertible Senior Notes and outstanding equity awards. The effect of including such shares in the calculation of non-GAAP diluted earnings per share is dilutive.
(h) Amounts represent interest expense on the 2023 Convertible Senior Notes, net of any income tax effects, which is added back to the numerator for purposes of the if-converted method used to calculate non-GAAP diluted earnings per share upon the adoption of ASU 2020-06, as it would have a dilutive effect on the calculation of non-GAAP diluted earnings per share.

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

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

	Three Months Ended October 2, 2022					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$ 753	67.9 %	$ (32)	$ (4)	$ 717	64.3 %
Amortization of acquired intangible assets	12	1.0 %	33	—	46	4.1 %
Non-GAAP gross profit **(a)**	$ 765	68.9 %	$ 1	$ (4)	$ 763	68.4 %
GAAP R&D expense	$ 253	22.8 %	$ 74	$ (2)	$ 325	29.1 %
Acquisition-related expenses **(f)**	(1)	(0.1)%	—	—	(1)	—
Non-GAAP R&D expense	$ 252	22.7 %	$ 74	$ (2)	$ 324	29.1 %
GAAP SG&A expense	$ 66	5.9 %	$ 81	$ (1)	$ 146	13.1 %
Amortization of acquired intangible assets	—	—	(1)	—	(1)	(0.1)%
Contingent consideration liabilities **(e)**	219	19.7 %	—	—	219	19.6 %
Acquisition-related expenses **(f)**	(23)	(2.1)%	(5)	—	(28)	(2.5)%
Non-GAAP SG&A expense	$ 262	23.6 %	$ 75	$ (1)	$ 336	30.1 %
GAAP legal contingency and settlement	$ (11)	(1.0)%	$ —	$ —	$ (11)	(1.0)%
Legal contingency and settlement **(d)**	11	1.0 %	—	—	11	1.0 %
Non-GAAP legal contingency and settlement	$ —	—	$ —	$ —	$ —	—
GAAP goodwill impairment	$ —	—	$ 3,914	$ —	$ 3,914	351.0 %
Goodwill impairment **(o)**	—	—	(3,914)	—	(3,914)	(351.0)%
Non-GAAP goodwill impairment	$ —	—	$ —	$ —	$ —	—
GAAP operating profit (loss)	$ 445	40.1 %	$ (4,101)	$ (1)	$(3,657)	(327.9)%
Cost of revenue	12	1.0 %	33	—	46	4.1 %
R&D costs	1	0.1 %	—	—	1	—
SG&A costs	(196)	(17.5)%	6	—	(191)	(17.0)%
Legal contingency and settlement	(11)	(1.0)%	—	—	(11)	(1.0)%
Goodwill impairment	—	—	3,914	—	3,914	351.0 %
Non-GAAP operating profit (loss) **(a)**	$ 251	22.6 %	$ (148)	$ (1)	$ 102	9.2 %
GAAP other (expense) income, net	$ (15)	(1.4)%	$ 1	$ —	$ (15)	(1.3)%
Strategic investment related loss, net **(i)**	2	0.2 %	—	—	2	0.2 %
Loss on Helix contingent value right **(j)**	5	0.5 %	—	—	5	0.4 %
Non-GAAP other (expense) income, net	$ (8)	(0.7)%	$ 1	$ —	$ (8)	(0.7)%

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

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

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

	Three Months Ended					
	October 3, 2021					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (b)	$ 781	70.7 %	$ (11)	$ —	$ 770	69.5 %
Amortization of acquired intangible assets	7	0.6 %	12	—	18	1.7 %
Non-GAAP gross profit **(a)**	$ 788	71.3 %	$ 1	$ —	$ 788	71.2 %
GAAP R&D expense	$ 212	19.1 %	$ 224	$ —	$ 436	39.4 %
Acquisition-related expenses **(f)**	—	—	(196)	—	(196)	(17.7)%
Non-GAAP R&D expense	$ 212	19.1 %	$ 28	$ —	$ 240	21.7 %
GAAP SG&A expense	$ 365	33.0 %	$ 514	$ —	$ 879	79.3 %
Acquisition-related expenses **(f)**	(106)	(9.6)%	(492)	—	(598)	(54.0)%
Contingent consideration liabilities **(e)**	7	0.7 %			7	0.7 %
Non-GAAP SG&A expense	$ 266	24.1 %	$ 22	$ —	$ 288	26.0 %
GAAP operating profit (loss)	$ 205	18.5 %	$ (750)	$ —	$ (545)	(49.2)%
Cost of revenue	6	0.6 %	12	—	18	1.7 %
R&D costs	—	—	196	—	196	17.7 %
SG&A costs	99	8.9 %	492	—	591	53.3 %
Non-GAAP operating profit (loss) **(a)**	$ 310	28.0 %	$ (50)	$ —	$ 260	23.5 %
GAAP other income, net	$ 965	87.3 %	$ —	$ —	$ 965	87.1 %
Acquisition-related gain **(f)**	(900)	(81.4)%			(900)	(81.2)%
Strategic investment related gain, net **(i)**	(66)	(6.0)%	—	—	(66)	(6.0)%
Gain on Helix contingent value right **(j)**	(12)	(1.1)%	—	—	(12)	(1.1)%
Non-cash interest expense **(k)**	7	0.7 %	—	—	7	0.7 %
Non-GAAP other expense, net	$ (6)	(0.5)%	$ —	$ —	$ (6)	(0.5)%

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

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

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

	Nine Months Ended October 2, 2022					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$2,405	69.0 %	$ (91)	$ (14)	$ 2,300	65.7 %
Amortization of acquired intangible assets	24	0.7 %	101	—	124	3.5 %
Non-GAAP gross profit **(a)**	$2,429	69.7 %	$ 10	$ (14)	$ 2,424	69.2 %
GAAP R&D expense	$ 740	21.2 %	$ 245	$ (10)	$ 975	27.8 %
Acquisition-related expenses **(f)**	(1)	—	—	—	(1)	—
Non-GAAP R&D expense	$ 739	21.2 %	$ 245	$ (10)	$ 974	27.8 %
GAAP SG&A expense	$ 656	18.8 %	$ 210	$ (1)	$ 865	24.7 %
Amortization of acquired intangible assets	(1)	—	(3)	—	(4)	(0.1)%
Contingent consideration liabilities **(e)**	230	6.6 %	—	—	230	6.6 %
Acquisition-related expenses **(f)**	(86)	(2.5)%	(9)	—	(96)	(2.8)%
Non-GAAP SG&A expense	$ 799	22.9 %	$ 198	$ (1)	$ 995	28.4 %
GAAP legal contingency and settlement	$ 598	17.1 %	$ —	$ —	$ 598	17.1 %
Legal contingency and settlement **(d)**	(598)	(17.1)%	—	—	(598)	(17.1)%
Non-GAAP legal contingency and settlement	$ —	—	$ —	$ —	$ —	—
GAAP goodwill impairment	$ —	—	$ 3,914	$ —	$ 3,914	111.8 %
Goodwill impairment **(o)**	—	—	(3,914)	—	(3,914)	(111.8)%
Non-GAAP goodwill impairment	$ —	—	$ —	$ —	$ —	—
GAAP operating profit (loss)	$ 411	11.8 %	$ (4,460)	$ (3)	$(4,052)	(115.7)%
Cost of revenue	24	0.7 %	101	—	124	3.5 %
R&D costs	1	—	—	—	1	—
SG&A costs	(143)	(4.0)%	12	—	(129)	(3.7)%
Legal contingency and settlement	598	17.1 %	—	—	598	17.1 %
Goodwill impairment	—	—	3,914	—	3,914	111.8 %
Non-GAAP operating profit (loss) **(a)**	$ 891	25.6 %	$ (433)	$ (3)	$ 456	13.0 %
GAAP other (expense) income, net	$ (117)	(3.4)%	$ 1	$ —	$ (116)	(3.3)%
Strategic investment related loss, net **(i)**	75	2.2 %	—	—	75	2.2 %
Loss on Helix contingent value right **(j)**	8	0.2 %	—	—	8	0.2 %
Non-GAAP other (expense) income, net	$ (34)	(1.0)%	$ 1	$ —	$ (33)	(0.9)%

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

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

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

	Nine Months Ended					
	October 3, 2021					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$2,348	70.6 %	$ (11)	$ —	$2,337	70.2 %
Amortization of acquired intangible assets	19	0.6 %	12	—	31	1.0 %
Expenses related to COVID-19 **(c)**	1	—	—	—	1	—
Non-GAAP gross profit **(a)**	$2,368	71.2 %	$ 1	$ —	$2,369	71.2 %
GAAP R&D expense	$ 611	18.4 %	$ 224	$ —	$ 835	25.1 %
Acquisition-related expenses **(f)**	—	—	(196)	—	(196)	(5.9)%
Non-GAAP R&D expense	$ 611	18.4 %	$ 28	$ —	$ 639	19.2 %
GAAP SG&A expense	$1,152	34.6 %	$ 514	$ —	$1,666	50.1 %
Amortization of acquired intangible assets	(1)	—	—	—	(1)	—
Contingent consideration liabilities **(e)**	7	0.2 %	—	—	7	0.2 %
Acquisition-related expenses **(f)**	(400)	(12.0)%	(492)	—	(892)	(26.8)%
Expenses related to COVID-19 **(c)**	(2)	(0.1)%	—	—	(2)	(0.1)%
Income related to COVID-19 **(g)**	1	—	—	—	1	—
Gain on litigation **(h)**	2	0.1 %	—	—	2	0.1 %
Non-GAAP SG&A expense	$ 759	22.8 %	$ 22	$ —	$ 781	23.5 %
GAAP operating profit (loss)	$ 586	17.6 %	$ (750)	$ —	$ (164)	(5.0)%
Cost of revenue	20	0.6 %	12	—	32	1.0 %
R&D costs	—	—	196	—	196	5.9 %
SG&A costs	393	11.8 %	492	—	885	26.6 %
Non-GAAP operating profit (loss) **(a)**	$ 999	30.0 %	$ (50)	$ —	$ 949	28.5 %
GAAP other income, net	$ 962	28.9 %	$ —	$ —	$ 962	28.9 %
Acquisition-related gain **(f)**	(900)	(27.1)%	—	—	(900)	(27.1)%
Strategic investment related gain, net **(i)**	(52)	(1.6)%	—	—	(52)	(1.6)%
Gain on Helix contingent value right **(j)**	(30)	(0.9)%	—	—	(30)	(0.9)%
Non-cash interest expense **(k)**	27	0.9 %	—	—	27	0.9 %
Gain on derivative assets **(l)**	(26)	(0.8)%	—	—	(26)	(0.8)%
Bridge facility fees **(m)**	7	0.3 %	—	—	7	0.3 %
Loss on extinguishment of debt **(n)**	1	—	—	—	1	—
Non-GAAP other expense, net	$ (11)	(0.3)%	$ —	$ —	$ (11)	(0.3)%

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

(a) Non-GAAP gross profit, included within non-GAAP operating profit (loss), is a key measure of the effectiveness and efficiency of manufacturing processes, product mix and the average selling prices of our products and services. Non-

GAAP operating profit (loss) and non-GAAP other expense, net exclude the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing past and future operating performance, including in the non-GAAP measures related to our Core Illumina and GRAIL segments.

(b) Reconciling amounts are recorded in cost of revenue.

(c) Amount consists of direct and incremental expenses incurred due to the COVID-19 pandemic, primarily expenses related to employee testing and incremental cleaning in 2021. Such expenses were not excluded in 2022.

(d) Amounts in YTD 2022 consist of litigation contingency and settlement expense of $145 million related to the settlement of our litigation with BGI, which includes a gain of $11 million recorded in Q3 2022 as a result of releasing $6 million of previously recorded litigation accrual and $5 million of a gain contingency recognized in Q3 2022. In addition, the amount in YTD 2022 consists of an accrual of $453 million, recorded in Q2 2022, for the potential fine that the European Commission may impose on us of up to 10% of our consolidated annual revenues.

(e) Amounts consist primarily of fair value adjustments for our contingent consideration liability related to the GRAIL acquisition.

(f) Amounts consist primarily of legal expenses related to our acquisitions. Amounts for Q3 2021 and YTD 2021 consist primarily of a gain of approximately $900 million related to the fair value adjustment of our previously held interest in GRAIL, approximately $654 million in day one compensation expense related to the GRAIL acquisition, Continuation Payments made to GRAIL totaling $35 million in Q3 2021 and $245 million in YTD 2021, and other acquisition-related expenses.

(g) Amount consists of direct and incremental income due to the COVID-19 pandemic, primarily payroll-related credits earned in the U.S. and Canada in Q1 2021. Such income was not excluded in 2022.

(h) Amount consists of a gain related to a patent litigation settlement.

(i) Amounts consist primarily of mark-to-market adjustments from our strategic investments.

(j) Amounts consist of fair value adjustments related to our Helix contingent value right.

(k) Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash. We adopted ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-10)*, on January 3, 2022, using the modified retrospective method. The adoption eliminated the non-cash interest expense related to the conversion feature of our 2023 Convertible Notes beginning in Q1 2022.

(l) Amount represents gain recorded on our derivative assets related to the terminated acquisition with Pacific Biosciences as a result of Pacific Biosciences repaying to us $52 million in Continuation Advances.

(m) Amount consists of expenses related to the bridge facility commitment, which was terminated in March 2021 in conjunction with our issuance of term notes.

(n) Amount consists of loss on extinguishment of our 2021 Convertible Senior Notes, which matured in June 2021.

(o) Amounts consist of goodwill impairment related to our GRAIL reporting unit in Q3 2022.

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

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

	Three Months Ended October 2, 2022	
GAAP tax provision	**$ 144**	**(4.0)%**
Incremental non-GAAP tax expense **(a)**	(74)	
GILTI and U.S. foreign tax credits **(b)**	(30)	
Non-GAAP tax provision	$ 40	43.2 %

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

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

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

TABLE 4: RECONCILIATION BETWEEN GAAP AND NON-GAAP DILUTED EARNINGS (LOSS) PER SHARE GUIDANCE:

	Fiscal Year 2022
Consolidated GAAP diluted loss per share (b)	**$(26.56) - $(26.41)**
Amortization of acquired intangible assets	1.12
Goodwill impairment **(c)**	24.57
Legal contingency and settlement **(d)**	3.75
Acquisition-related expenses **(e)**	0.61
Strategic investment related loss, net **(f)**	0.47
Loss on Helix contingent value right **(g)**	0.05
Contingent consideration liabilities **(h)**	(1.44)
GILTI and U.S. foreign tax credits **(i)**	0.35
Incremental non-GAAP tax expense **(j)**	(0.60)
Income tax provision **(k)**	0.03
Consolidated non-GAAP diluted earnings per share **(a)(b)**	$2.35 - $2.50

(a) Non-GAAP diluted earnings per share exclude the effect of the pro forma adjustments as detailed above. Non-GAAP diluted earnings per share is a key component of the financial metrics utilized by the company's board of directors to measure, in part, management's performance and determine significant elements of management's compensation. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing our past and future operating performance.
(b) The GAAP and non-GAAP diluted (loss) earnings per share guidance ranges continue to assume that the R&D expense capitalization requirement implemented by the Tax Cuts and Jobs Act of 2017 will be repealed in the fourth quarter of 2022. If the R&D expense capitalization requirement is not repealed in 2022, the company's tax expense will be negatively impacted.
(c) Amount consists of goodwill impairment recorded in Q3 2022 related to our GRAIL reporting unit.
(d) Amount consists of litigation contingency and settlement expense of $145 million related to the settlement of our litigation with BGI and an accrual of $453 million for the potential fine that the European Commission may impose on us of up to 10% of our consolidated annual revenues.
(e) Amount consists primarily of legal expenses related to our acquisitions.
(f) Amount consists primarily of mark-to-market adjustments from our strategic investments.
(g) Amount consists of fair value adjustments related to our Helix contingent value right.
(h) Amount consists primarily of fair value adjustment for our contingent consideration liability related to the GRAIL acquisition.
(i) Amount represents the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.
(j) Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed.
(k) Amount represents difference between book and tax accounting related to stock-based compensation cost.

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

	Three Months Ended					
	October 2, 2022					
	2022	2021	Growth %	2022 Currency Impact	2022 Constant Currency Revenues (a)	Constant Currency Growth % (a)
Americas	**$ 597**	$ 583	**2 %**	$ —	$ 597	2 %
Europe, Middle East, and Africa	**290**	313	**(7)%**	17	307	(2)%
Greater China **(b)**	**133**	122	**9 %**	6	139	14 %
Asia-Pacific	**95**	90	**6 %**	4	99	10 %
Total	**$ 1,115**	$ 1,108	**1 %**	$ 27	$ 1,142	3 %

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

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

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

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

RECONCILIATION BETWEEN GAAP AND NON-GAAP OPERATING MARGIN GUIDANCE:

	FY 2022
Consolidated GAAP operating margin	**(90.5)% - (90.0)%**
Amortization of acquired intangible assets	3.9
Goodwill impairment **(b)**	86.0
Legal contingency and settlement **(c)**	13.1
Acquisition-related expenses **(d)**	2.1
Contingent consideration liability **(e)**	(5.1)
Consolidated non-GAAP operating margin **(a)**	9.5% - 10.0%

	FY 2022
Core Illumina GAAP operating margin	**12.0%**
Amortization of acquired intangible assets	0.9
Legal contingency and settlement **(c)**	13.2
Acquisition-related expenses **(d)**	2.0
Contingent consideration liability **(e)**	(5.1)
Core Illumina non-GAAP operating margin **(a)**	23.0%

(a) Non-GAAP operating margin excludes the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing past and future operating performance, including in the non-GAAP measure related to our Core Illumina segment.
(b) Amount consists of goodwill impairment recorded in Q3 2022 related to our GRAIL reporting unit.
(c) Amounts consist of litigation contingency and settlement expense of $145 million related to the settlement of our litigation with BGI and an accrual of $453 million for the potential fine that the European Commission may impose on us of up to 10% of our consolidated annual revenues.
(d) Amounts consist primarily of legal expenses related to our acquisition of GRAIL.
(e) Amounts consist primarily of fair value adjustments for our contingent consideration liability related to the GRAIL acquisition.

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

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

	FY 2022
GRAIL GAAP operating loss	**$ (4,661)**
Amortization of acquired intangible assets	138
Goodwill impairment **(b)**	3,914
Acquisition-related expenses	9
GRAIL non-GAAP operating loss **(a)**	$ (600)

(a) Non-GAAP operating loss excludes the effect of the pro forma adjustments as detailed above. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing past and future operating performance related to the GRAIL segment.
(b) Amount consists of goodwill impairment recorded in Q3 2022 related to our GRAIL reporting unit.

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

RECONCILIATION BETWEEN GAAP AND NON-GAAP TAX RATE GUIDANCE:

	FY 2022	
GAAP tax provision	**$ (3)**	**— %**
Incremental non-GAAP tax expense **(a)**	94	
Income tax provision **(b)**	(5)	
GILTI and U.S. foreign tax credits **(c)**	(56)	
Non-GAAP tax provision **(d)**	$ 30	7 %

(a) Amount reflects the tax impact related to the non-GAAP adjustments listed in Table 6 above.
(b) Amount represents the difference between book and tax accounting related to stock-based compensation cost.
(c) Amount represent the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.
(d) The FY 2022 non-GAAP tax rate guidance continues to assume that the R&D expense capitalization requirement implemented by the Tax Cuts and Jobs Act of 2017 will be repealed in Q4 2022. If the R&D expense capitalization requirement is not repealed in 2022, our tax expense will be negatively impacted.