



ILLUMINA Q1 2015

Financial Results

April 21, 2015

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Q1 2015 Highlights

Another quarter of record results

- ▶ Q1 revenue growth of 28% YoY
- ▶ Constant currency revenue growth of 33% YoY
- ▶ Strong operating and tax leverage with 72% YoY non-GAAP EPS growth
- ▶ Cash flow from operations of \$67 million

	Q1 15	Q1 14	Δ
Revenue ¹	\$539	\$421	28%
Gross Margin ²	72.2%	70.4%	180 bps
Operating Margin ²	39.3%	34.9%	440 bps
EPS ³	\$0.91	\$0.53	72%

1. In millions

2. Adjusted non-GAAP as a percentage of revenue excluding stock based compensation

3. Non-GAAP including stock based compensation

Q1 2015 Revenue Growth Rates

Sequencing consumables fueled Q1 growth

Q1 YoY %	Sequencing	Microarray	Total
Instruments	32%	N/P ¹	26%
Consumables	39%	N/P ¹	27%
Service and Other	N/P ¹	N/P ¹	36%
Total	40%	(11%)	28%

- ▶ Consumables accounted for 57% of total revenue
- ▶ Microarray revenue was down 3% YoY excluding the impact of the large genotyping services order in Q1'14

1. N/P items are not provided

Q1 2015 P&L

Revenue growth and expense leverage drove Q1 results

<i>\$ in millions, except % and per share data</i>	Q1 15	Q1 14	Δ
Revenue	\$539	\$421	28%
GM % ¹	72.2%	70.4%	180 bps
R&D % ¹	14.9%	15.5%	(60 bps)
SG&A % ¹	18.0%	19.9%	(190 bps)
OM % ¹	39.3%	34.9%	440 bps
Stock Based Compensation	\$32	\$33	(3%)
Tax Rate ²	24.5%	29.9%	(540 bps)
Net Income ²	\$135	\$80	69%
Shares Outstanding ³	149	150	(1%)
EPS ²	\$0.91	\$0.53	72%

1. Adjusted non-GAAP as a percentage of revenue excluding stock based compensation

2. Non-GAAP including stock based compensation

3. In millions

Balance Sheet / Cash Flow

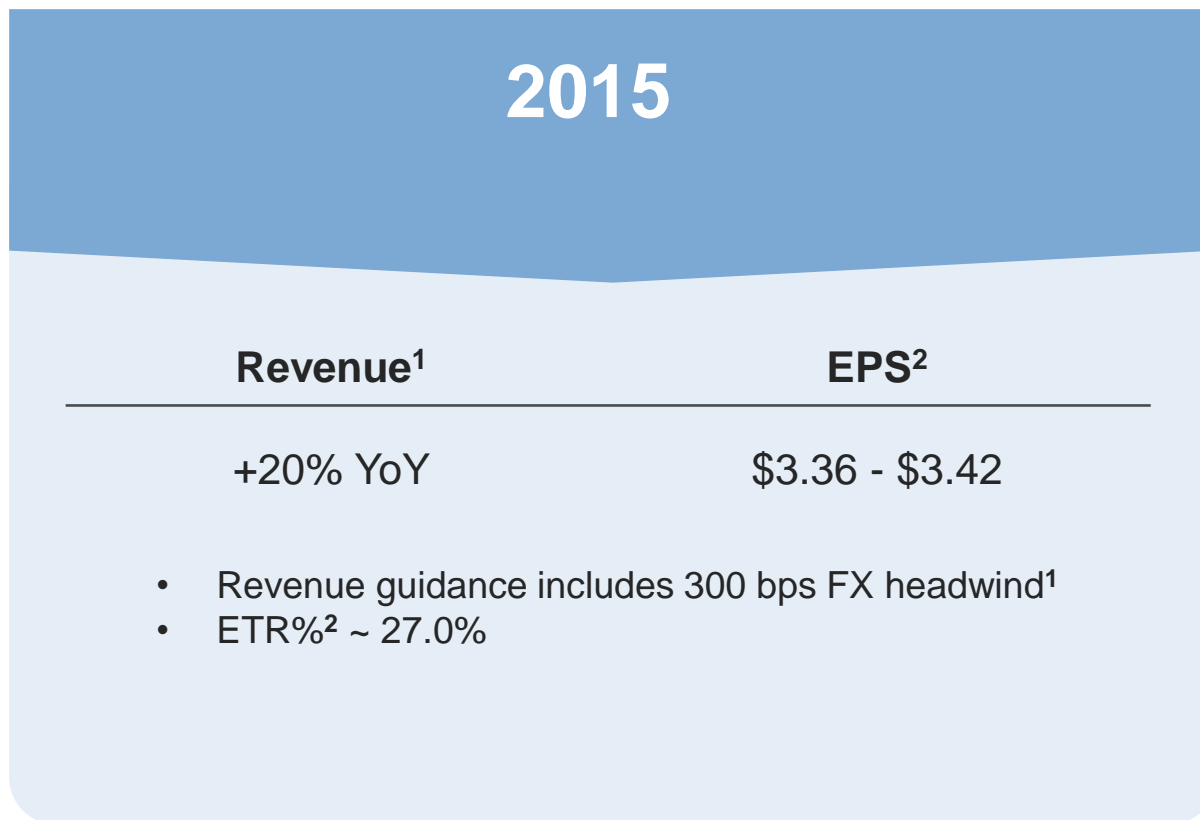
Strong capital position

<i>\$ in millions, except DSO</i>	Q1 15	Q4 14
Cash & Investments	\$1,366	\$1,338
Inventory	\$205	\$191
Accounts Receivable (DSO)	\$350 (59)	\$289 (51)
Operating Cash Flow ¹	\$67	\$141
Free Cash Flow	\$30	\$106

1. Q1'15 impacted by additional paid in capital associated with excess tax benefits from stock compensation, as well as bonus and other year-end payouts

2015 Guidance

Continuing to deliver strong revenue and EPS growth despite FX headwinds

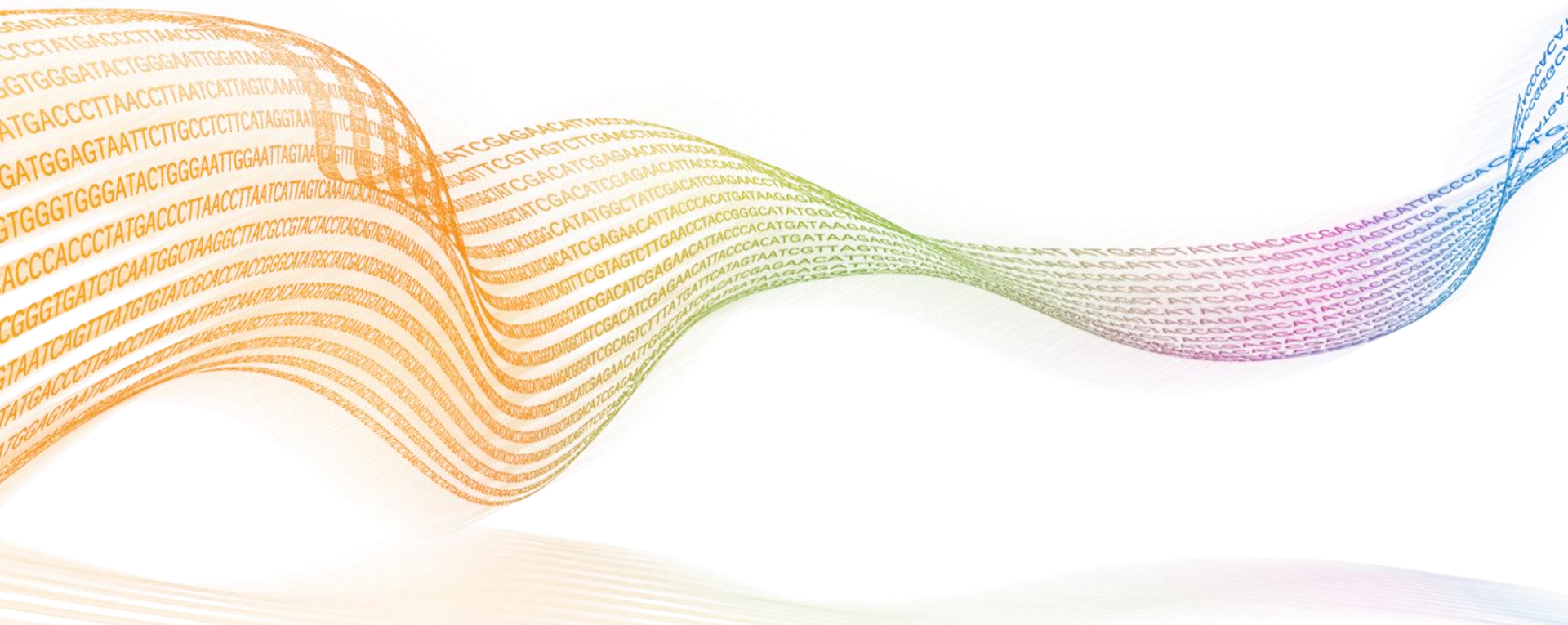


1. Revenue guidance assumes constant exchange rates

2. Non-GAAP including stock based compensation and assumes the Federal R&D tax credit and other tax extenders are passed

3. Guidance given by press release and 8-k on April 21, 2015

Non-GAAP Reconciliations



Reconciliation Between GAAP and Non-GAAP Net Income Per Share:

	Three Months Ended	
	March 29, 2015	March 30, 2014
GAAP net income per share - diluted	\$ 0.92	\$ 0.40
Pro forma impact of weighted average shares (a)	—	—
Adjustments to net income:		
Amortization of acquired intangible assets	0.09	0.09
Cost-method investment gain, net (b)	(0.08)	—
Non-cash interest expense (c)	0.07	0.06
Acquisition related gain, net (d)	(0.07)	(0.01)
Headquarter relocation	—	—
Legal contingencies	—	0.04
Contingent compensation expense (e)	—	0.02
Incremental non-GAAP tax expense (f)	(0.02)	(0.07)
Non-GAAP net income per share - diluted (g)	<u>\$ 0.91</u>	<u>\$ 0.53</u>
Shares used in calculating non-GAAP diluted net income per share	<u>148,683</u>	<u>149,971</u>

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP NET INCOME:

GAAP net income	\$ 136,658	\$ 59,977
Amortization of acquired intangible assets	12,887	13,191
Cost-method investment gain, net (b)	(12,582)	—
Non-cash interest expense (c)	10,188	9,022
Acquisition related gain, net (d)	(9,887)	(1,013)
Headquarter relocation	699	595
Legal contingencies	—	5,846
Contingent compensation expense (e)	—	2,840
Incremental non-GAAP tax expense (f)	(2,587)	(10,411)
Non-GAAP net income (g)	<u>\$ 135,376</u>	<u>\$ 80,047</u>

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP DILUTED NUMBER OF SHARES:

Weighted average shares used in calculation of GAAP diluted net income per share	148,683	150,619
Weighted average dilutive potential common shares issuable of redeemable convertible senior notes (a)	—	(648)
Weighted average shares used in calculation of non-GAAP diluted net income per share	<u>148,683</u>	<u>149,971</u>

Reconciliation Between GAAP and Non-GAAP Tax Provision:

	Three Months Ended			
	March 29, 2015		March 30, 2014	
GAAP tax provision	\$ 41,388	23.2 %	\$ 23,811	28.4 %
Incremental tax expense	2,587	198.2%	10,411	34.2 %
Non-GAAP tax provision	\$ 43,975	24.5 %	\$ 34,222	29.9 %

Footnotes to the Reconciliation Between GAAP and Non-GAAP Measures:

(a) Pro forma impact of weighted-average shares includes the impact of double dilution associated with the accounting treatment of the Company's outstanding convertible debt and the corresponding call option overlay.

(b) Cost-method investment gain, net consists primarily of a gain on the sale of an investment partially offset by impairment charges on other investments.

(c) Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash.

(d) Acquisition related gain, net consists primarily of net gains from changes in fair value of contingent consideration.

(e) Contingent compensation expense relates to contingent payments for post-combination services associated with prior period acquisitions.

(f) Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed above.

(g) Non-GAAP net income and diluted net income per share exclude the effect of the pro forma adjustments as detailed above. Non-GAAP net income and diluted net income per share are key drivers of the Company's core operating performance and major factors in management's bonus compensation each year. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing our past and future core operating performance.

Reconciliation Between GAAP and Non-GAAP Results of Operations as a Percent of Revenue:

	Three Months Ended			
	March 29, 2015		March 30, 2014	
GAAP gross profit	\$ 375,027	69.6 %	\$ 278,292	66.1 %
Stock-based compensation expense	2,611	0.5 %	2,380	0.6 %
Amortization of acquired intangible assets	11,385	2.1 %	9,535	2.3 %
Legal contingencies	—	—	5,846	1.4 %
Non-GAAP gross profit (a)	<u>\$ 389,023</u>	<u>72.2 %</u>	<u>\$ 296,053</u>	<u>70.4 %</u>
Research and development expense	\$ 91,772	17.0 %	\$ 77,041	18.3 %
Stock-based compensation expense	(11,307)	(2.1)%	(11,669)	(2.8)%
Contingent compensation expense (b)	—	—	(84)	—
Non-GAAP research and development expense	<u>\$ 80,465</u>	<u>14.9 %</u>	<u>\$ 65,288</u>	<u>15.5 %</u>
Selling, general and administrative expense	\$ 116,317	21.6 %	\$ 109,573	26.0 %
Stock-based compensation expense	(18,000)	(3.3)%	(19,375)	(4.5)%
Amortization of acquired intangible assets	(1,502)	(0.3)%	(3,656)	(0.9)%
Contingent compensation expense (b)	—	—	(2,756)	(0.7)%
Non-GAAP selling, general and administrative expense	<u>\$ 96,815</u>	<u>18.0 %</u>	<u>\$ 83,786</u>	<u>19.9 %</u>
GAAP operating profit	\$ 176,126	32.7 %	\$ 92,096	21.9 %
Stock-based compensation expense	31,918	5.9 %	33,424	7.9 %
Amortization of acquired intangible assets	12,887	2.4 %	13,191	3.2 %
Acquisition related gain, net (c)	(9,887)	(1.8)%	(1,013)	(0.3)%
Headquarter relocation	699	0.1 %	595	0.1 %
Legal contingencies	—	—	5,846	1.4 %
Contingent compensation expense (b)	—	—	2,840	0.7 %
Non-GAAP operating profit (a)	<u>\$ 211,743</u>	<u>39.3 %</u>	<u>\$ 146,979</u>	<u>34.9 %</u>
GAAP other income (expense), net	\$ 1,920	0.4 %	\$ (8,308)	(2.0)%
Cost-method investment gain, net (d)	(12,582)	(2.4)%	—	—
Non-cash interest expense (e)	10,188	1.9 %	9,022	2.2 %
Non-GAAP other (expense) income, net (a)	<u>\$ (474)</u>	<u>(0.1)%</u>	<u>\$ 714</u>	<u>0.2 %</u>

Footnotes to the Reconciliation Between GAAP and Non-GAAP Results of Operations:

(a) Non-GAAP gross profit, included within non-GAAP operating profit, is a key measure of the effectiveness and efficiency of manufacturing processes, product mix and the average selling prices of the Company's products and services. Non-GAAP operating profit, and non-GAAP other (expense) income, net, exclude the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing past and future core operating performance.

(b) Contingent compensation expense relates to contingent payments for post-combination services associated with prior period acquisitions.

(c) Acquisition related gain, net consists primarily of net gains from changes in fair value of contingent consideration.

(d) Cost-method investment gain, net consists primarily of a gain on the sale of an investment partially offset by impairment charges on other investments.

(e) Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash.

Guidance Reconciliation Between GAAP and Non-GAAP Net Income Per Share:

	Fiscal Year 2015
Diluted net income per share	
Non-GAAP diluted net income per share	\$3.36 - \$3.42
Amortization of acquired intangible assets	(0.21)
Non-cash interest expense (a)	(0.17)
Cost-method investment gain, net (b)	0.06
Acquisition related gain, net	0.04
Headquarter relocation (c)	(0.01)
GAAP diluted net income per share	<u>\$3.07 - \$3.13</u>

(a) Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash.

(b) Cost-method investment gain, net consists primarily of a gain on the sale of an investment partially offset by impairment charges on other investments.

(c) Headquarter relocation represents accretion of interest expense on lease exit liability.