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ILMN Q318 Summary of Prepared Remarks

	Q318	Yr/Yr	Management Commentary
Sequencing Consumables	$467M	23%	- Reflects Yr/Yr growth across high-throughput (HT), mid-throughput (MT), and low-throughput (LT) categories. - Includes ~$14M of stocking associated with Chinese customers buying ahead of potential tariffs.
Microarrays Consumables	$83M	17%	
Total Consumables	$550M	22%	- Represented 64% of total revenue in Q318.
Sequencing Instruments	$138M	8%	- Grew 12% Qtr/Qtr with solid performance within the portfolio. - Strongest quarter of the year so far, and the highest revenue quarter for sequencing systems since Q415. - Consistent with our expectation for a heavily-back-end loaded year, NovaSeq delivered its highest revenue contribution of the year, with stable ASP trends.
Microarrays Instruments	$16M	33%	- Higher than expected and the largest revenue contribution since 2011.
Total Instruments	$154M	10%	- Represented 18% of total revenue in Q318.
Total Products	$710M	19%	- Includes freight.
Sequencing Service & Other	$109M	36%	- Roughly flat on a sequential basis as expected.
Microarray Service & Other	$34M	-11%	
Total Service & Other	$143M	21%	- Represented 17% of total revenue in Q318.
Total Revenue	$853M	20%	

	Yr/Yr	Management Commentary
Americas	14%	- Driven by Yr/Yr growth across the sequencing business.
EMEA	33%	- Strong contribution from Genomics England program, as well as demand for NovaSeq, NIPT and sequencing consumables more broadly.
Asia Pacific	29%	- Strongest Yr/Yr growth in the region since early 2014; APJ business is benefiting from strong sequencing activity among regional commercial sequencing service providers.
Greater China	17%	- Driven by strong Yr/Yr sequencing consumable growth. - During Q318, MiSeqDx received NMPA approval, our first NGS Instrument to receive regulatory clearance in China.

Sequencing Updates

	Management Commentary
High-Throughput (HT): NovaSeq & HiSeq	- HiSeq consumables continued their expected and steady decline as customers transition to NovaSeq. - While HiSeq still represents the majority of high throughput consumable revenue today, NovaSeq continues to grow very quickly, with S4 representing the largest revenue contributor across the entire high throughput family of flow cells. - Continue to see a good mix of demand across the NovaSeq portfolio that also includes lower output S2 and S1 flow cells.
Mid-Throughput (MT): NextSeq	- Continues to perform extremely well, with many customers adopting the system as their primary workhorse for NIPT and oncology applications. - Pull-through was at the high end of the $100,000 to $150,000 guidance range. - MT instrument shipments grew Qtr/Qtr and Yr/Yr; good mix of existing and new-to-sequencing customers.
Low-Throughput (LT): MiSeq, MiniSeq & iSeq	- MiniSeq and MiSeq consumable pull-through within their expected ranges. - LT consumable revenue also benefited from a modest contribution from iSeq in its first full quarter of commercial availability. - MiSeq & MiniSeq shipments up Qtr/Qtr; good activity across all regions and strong adoption by new-to-sequencing customers who again represented >50% in Q318. - iSeq got off to a great start with demand from existing and new Illumina customers, with shipments ahead of forecast.
Library Prep	- Also contributed to Yr/Yr sequencing consumables growth, with the Nextera suite of products leading the way. - Launched Nextera Flex enrichment a few weeks ago, a new standard for fast turn-around time, coverage uniformity, and content flexibility for exome sequencing.

Microarray Updates

	Management Commentary
Microarrays	- Revenue down Qtr/Qtr, as expected, and up 11% from Q317. - Array instrument revenue of $16M driven by a key DTC customer scaling ahead of anticipated holiday demand. - More than offsetting this was lower Qtr/Qtr microarray service & other revenue.

<u>Q318 Non-GAAP Financial Highlights</u>

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

	Q318	Yr/Yr	Qtr/Qtr	Management Commentary
Gross Margin	71.1%	+2.3%	+0.8%	- Qtr/Qtr driven by favorable product mix within sequencing consumables. - Yr/Yr primarily due to a higher mix of sequencing consumables.
Operating expenses	$356M	+$57M	+$8M	- Qtr/Qtr largely reflecting higher R&D investments and headcount additions.
Operating Margin	29.4%	+2.6%	+1.0%	- Excluding Helix, OM% was 32.0% vs. 30.6% in Q218.
Tax Rate	17.3%	-4.3%	+1.4%	- Qtr/Qtr higher due to the incremental investment in Helix creating additional tax benefits in Q218. - Tax rate was lower than expected due to favorable prior year return adjustments recorded in Q318.
Net Income attributable to Illumina stockholders	$227M	+$64M	+$15M	
EPS attributable to Illumina stockholders (diluted)	$1.52	+37%	+6%	

	Q318	Yr/Yr	Qtr/Qtr	Management Commentary
Cash Flow from Operations	$292M	+$57M	-$3M	
DSO	46 days		+3 days	- Driven by less favorable revenue linearity.
Capital expenditures	$64M	-$18M	-$13M	
Free Cash Flow	$228M	+$75M	+$10M	
Cash, Cash Equivalents & Short-term Investments	$3.4B	+$1.35B	+$877M	- In Q318, issued $750M aggregate principal amount of 0.0% convertible senior notes due 2023. - Net proceeds of issuance were $735M, of which $103M was used to repurchase shares.

Guidance

	Q318 Update	Management Commentary
FY18 Revenue	Approximately 20% growth in 2018	- No change from previous guidance. - Expect NovaSeq shipments in the 330 to 350 unit range for this year.
FY18 Non-GAAP GM	-	- Expect GM to be up modestly from FY17.
FY18 GAAP EPS attributable to Illumina stockholders	$5.32 to $5.37 (was $5.10 to $5.20)	
FY18 Non-GAAP EPS attributable to Illumina stockholders	$5.70 to $5.75 (was $5.35 to $5.45)	

	Management Commentary
Q418 Revenue	- Expect revenue to be flat to slightly up from Q318. - Expect sequencing system revenue to be up sequentially. - Expect sequencing consumables to be down sequentially, reflecting the ~$20M of consumable revenue previously forecasted for Q418 that has already shipped to Chinese customers in Q218 or Q318. - Expect microarrays to be down slightly, with growth in consumables more than offset by an expected decline in microarray instruments.
Q418 Non-GAAP GM	- Expect GM to be at its lowest level of the year due to higher system and arrays mix expected in Q418.
Q418 Non-GAAP Operating Expenses	- Expect non-GAAP operating expenses – on a % of revenue basis – to be up meaningfully from Q318.
Q418 GAAP EPS attributable to Illumina stockholders	- Expected to be $1.17 to $1.22.
Q418 Non-GAAP EPS attributable to Illumina stockholders	- Expected to be $1.30 to $1.35.

Illumina, Inc.

Condensed Consolidated Statements of Cash Flows

(In millions)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,	**October 1, 2017**	**September 30,**	**October 1, 2017**
Net cash provided by operating activities	$ 292	$ 235	$ 842	$ 581
Net cash (used in) provided by investing activities	(940)	(97)	(1,465)	101
Net cash provided by (used in) financing activities	650	(5)	748	(67)
Effect of exchange rate changes on cash and cash equivalents	—	2	(4)	4
Net increase in cash and cash equivalents	2	135	121	619
Cash and cash equivalents, beginning of period	1,344	1,219	1,225	735
Cash and cash equivalents, end of period	$ 1,346	$ 1,354	$ 1,346	$ 1,354
Calculation of free cash flow:				
Net cash provided by operating activities	$ 292	$ 235	$ 842	$ 581
Purchases of property and equipment	(64)	(82)	(231)	(234)
Free cash flow **(a)**	$ 228	$ 153	$ 611	$ 347

(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 - Non-GAAP
(In millions, except per share amounts)
(unaudited)

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP EARNINGS PER SHARE ATTRIBUTABLE TO ILLUMINA STOCKHOLDERS:

	Three Months Ended		Nine Months Ended	
	September 30,	October 1, 2017	September 30,	October 1, 2017
GAAP earnings per share attributable to Illumina stockholders - diluted	**$ 1.33**	**$ 1.11**	**$ 4.15**	**$ 4.45**
Non-cash interest expense **(a)**	0.08	0.05	0.18	0.15
Amortization of acquired intangible assets	0.07	0.07	0.19	0.24
Strategic investment related loss (gain), net **(b)**	0.05	0.01	(0.05)	(0.01)
Restructuring **(c)**	—	—	0.03	—
Gain on deconsolidation of GRAIL **(d)**	—	—	—	(3.07)
Impairments **(e)**	—	—	—	0.15
Performance-based compensation related to GRAIL Series B financing **(f)**	—	—	—	0.03
Acquisition related gain **(g)**	—	—	—	(0.01)
Incremental non-GAAP tax expense **(h)**	(0.05)	(0.05)	(0.09)	0.84
U.S. Tax Reform **(i)**	0.07	—	0.07	—
Excess tax benefit from share-based compensation **(j)**	(0.03)	(0.08)	(0.08)	(0.21)
Non-GAAP earnings per share attributable to Illumina stockholders - diluted **(k)**	$ 1.52	$ 1.11	$ 4.40	$ 2.56

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP NET INCOME ATTRIBUTABLE TO ILLUMINA STOCKHOLDERS:				
GAAP net income attributable to Illumina stockholders	**$ 199**	**$ 163**	**$ 616**	**$ 658**
Non-cash interest expense **(a)**	11	8	26	22
Amortization of acquired intangible assets	10	11	28	35
Strategic investment related loss (gain), net **(b)**	8	1	(7)	(2)
Restructuring **(c)**	—	—	4	—
Gain on deconsolidation of GRAIL **(d)**	—	—	—	(453)
Impairments **(e)**	—	—	—	23
Performance-based compensation related to GRAIL Series B financing **(f)**	—	—	—	4
Acquisition related gain **(g)**	—	—	—	(1)
Incremental non-GAAP tax expense **(h)**	(7)	(8)	(13)	124
U.S. Tax Reform **(i)**	11	—	11	—
Excess tax benefit from share-based compensation **(j)**	(5)	(12)	(12)	(31)
Non-GAAP net income attributable to Illumina stockholders **(k)**	$ 227	$ 163	$ 653	$ 379

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

(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) Amount consists primarily of mark-to-market adjustments and impairments from our strategic investments.

(c) Amount consists primarily of employee costs related to restructuring that occurred in Q1 2018 and Q4 2017.

(d) Amount represents the gain recognized as a result of the deconsolidation of GRAIL in Q1 2017. The $150 million tax effect of the gain is included in incremental non-GAAP tax expense.

(e) Impairments for 2017 include $18 million impairment of an acquired intangible asset and $5 million in-process research and development.

(f) Amount represents performance-based stock which vested as a result of the financing in Q1 2017, net of attribution to noncontrolling interest.

(g) Acquisition related gain consists of change in fair value of contingent consideration.

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

(i) Amount represents the discrete tax expense associated with updating prior year estimates of the impact of U.S. Tax Reform.

(j) Amount represents tax deductions taken in excess of stock compensation cost.

(k) Non-GAAP net income attributable to Illumina stockholders and diluted earnings per share attributable to Illumina stockholders exclude the effect of the pro forma adjustments as detailed above. Non-GAAP net income attributable to Illumina stockholders and diluted earnings per share attributable to Illumina stockholders 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 core operating performance.

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

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

	Three Months Ended				Nine Months Ended			
	September 30, 2018		October 1, 2017		September 30, 2018		October 1, 2017	
GAAP gross profit	**$ 597**	**70.0 %**	**$ 482**	**67.5 %**	**$ 1,710**	**69.4 %**	**$ 1,284**	**65.0 %**
Amortization of acquired intangible assets	10	1.1 %	9	1.3 %	26	1.0 %	30	1.6 %
Impairment **(a)**	—	—	—	—	—	—	18	0.9 %
Non-GAAP gross profit **(b)**	$ 607	71.1 %	$ 491	68.8 %	$ 1,736	70.4 %	$ 1,332	67.5 %
GAAP research and development expense	**$ 159**	**18.6 %**	**$ 134**	**18.7 %**	**$ 447**	**18.1 %**	**$ 409**	**20.7 %**
Restructuring **(c)**	—	—	—	—	(1)	—	—	—
Impairment **(a)**	—	—	—	—	—	—	(5)	(0.3)%
Non-GAAP research and development expense	$ 159	18.6 %	$ 134	18.7 %	$ 446	18.1 %	$ 404	20.4 %
GAAP selling, general and administrative expense	**$ 197**	**23.2 %**	**$ 167**	**23.5 %**	**$ 577**	**23.5 %**	**$ 499**	**25.3 %**
Restructuring **(c)**	—	—	—	—	(3)	(0.2)%	—	—
Amortization of acquired intangible assets	—	—	(2)	(0.3)%	(2)	(0.1)%	(5)	(0.3)%
Performance-based compensation related to GRAIL Series B financing **(d)**	—	—	—	—	—	—	(10)	(0.5)%
Acquisition related gain **(e)**	—	—	—	—	—	—	1	0.1 %
Non-GAAP selling, general and administrative expense	$ 197	23.2 %	$ 165	23.2 %	$ 572	23.2 %	$ 485	24.6 %
GAAP operating profit	**$ 241**	**28.2 %**	**$ 181**	**25.3 %**	**$ 686**	**27.8 %**	**$ 376**	**19.0 %**
Amortization of acquired intangible assets	10	1.2 %	11	1.5 %	28	1.1 %	35	1.8 %
Restructuring **(c)**	—	—	—	—	4	0.2 %	—	—
Impairments **(a)**	—	—	—	—	—	—	23	1.2 %
Performance-based compensation related to GRAIL Series B financing **(d)**	—	—	—	—	—	—	10	0.5 %
Acquisition related gain **(e)**	—	—	—	—	—	—	(1)	(0.1)%
Non-GAAP operating profit **(b)**	$ 251	29.4 %	$ 192	26.8 %	$ 718	29.1 %	$ 443	22.4 %
GAAP other (expense) income, net	**$ (9)**	**(1.1)%**	**$ (6)**	**(0.8)%**	**$ (1)**	**— %**	**$ 444**	**22.5 %**
Non-cash interest expense **(f)**	11	1.3 %	8	1.1 %	26	1.0 %	22	1.0 %
Strategic investment related loss (gain), net **(g)**	8	0.9 %	1	0.1 %	(7)	(0.3)%	(2)	(0.1)%
Gain on deconsolidation of GRAIL **(h)**	—	—	—	—	—	—	(453)	(22.9)%
Non-GAAP other income, net **(b)**	$ 10	1.1 %	$ 3	0.4 %	$ 18	0.7 %	$ 11	0.5 %

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

(a) Impairments for 2017 include $18 million impairment of an acquired intangible asset and $5 million in-process research and development.

(b) 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 our products and services. Non-GAAP operating profit, and non-GAAP other 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 operating performance.

(c) Amount consists primarily of employee costs related to restructuring that occurred in Q1 2018 and Q4 2017.

(d) Amount represents performance-based stock which vested as a result of the financing in Q1 2017.

(e) Acquisition related gain consists of change in fair value of contingent consideration.

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

(g) Amount consists primarily of mark-to-market adjustments and impairments from our strategic investments.

(h) Amount represents the gain recognized as a result of the deconsolidation of GRAIL in Q1 2017.

Illumina, Inc.

Reconciliation of Non-GAAP Financial Guidance

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 December 31, 2017 filed with the SEC on February 12, 2018, and Form 10-Q for the fiscal quarters ended April 1, 2018 and July 1, 2018. We assume no obligation to update any forward-looking statements or information.

	Q4 2018
GAAP diluted earnings per share attributable to Illumina stockholders	**$1.17 - $1.22**
Amortization of acquired intangible assets	0.06
Non-cash interest expense **(a)**	0.10
Incremental non-GAAP tax expense **(d)**	(0.03)
Non-GAAP diluted earnings per share attributable to Illumina stockholders	$1.30 - $1.35

	Fiscal Year 2018
GAAP diluted earnings per share attributable to Illumina stockholders	**$5.32 - $5.37**
Amortization of acquired intangible assets	0.25
Non-cash interest expense **(a)**	0.28
Strategic investment related gain, net **(b)**	(0.05)
Restructuring **(c)**	0.03
Incremental non-GAAP tax expense **(d)**	(0.12)
U.S. Tax Reform **(e)**	0.07
Excess tax benefits from share-based compensation **(f)**	(0.08)
Non-GAAP diluted earnings per share attributable to Illumina stockholders	$5.70 - $5.75

(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) Amount consists primarily of mark-to-market adjustments and impairments from our strategic investments.

(c) Amount consists primarily of employee severance and retention costs related to the restructuring that occurred in Q1 2018 and Q4 2017.

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

(e) Amount represents the discrete tax expense associated with updating prior year estimates of the impact of U.S. Tax Reform.

(f) Amount represents tax deductions taken in excess of stock compensation cost.

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

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP TAX PROVISION:

	Three Months Ended September 30, 2018	
GAAP tax provision	**$ 44**	**19.0%**
Incremental non-GAAP tax expense **(a)**	7	
U.S. Tax Reform **(b)**	(11)	
Excess tax benefit from share-based compensation **(c)**	5	
Non-GAAP tax provision	$ 45	17.3%

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

(b) Amount represents the discrete tax expense associated with updating prior year estimates of the impact of U.S. Tax Reform.

(c) Amount represents tax deductions taken in excess of stock compensation cost.