ILLUMINA INC
Form DEFA14A
April 02, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

x Definitive Additional Materials

¨ Soliciting Material Under Rule 14a-12

Illumina, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

other
brands
and
names
contained
herein
are
the
property
of
their
respective
owners.
PN
15023168
Illumina, Inc.
Investor Presentation
Spring 2012

2

This communication may contain statements that are forward-looking. Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Among the important factors that could cause actual results to differ materially from those in any forward-looking statements are (i) our ability to develop and commercialize further our sequencing,

BeadArray , VeraCode®, Eco , and consumables technologies and to deploy new sequencing, genotyping, gene expression, and diagnostics products and applications for our technology platforms, (ii) our ability to manufacture robust instrumentation and consumables, (iii) significant uncertainty concerning government and academic research funding worldwide as governments in the United States and Europe, in particular, focus on reducing fiscal deficits while at the same time confronting slowing economic growth, (iv) business disruptions associated with the tender offer commenced by CKH Acquisition Corporation, a wholly owned subsidiary of Roche Holding Ltd, and (v) other factors detailed in our filings with the U.S. Securities and Exchange Commission (SEC), 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. Illumina undertakes no obligation, and does not intend, to update these forward-looking statements.

Safe Harbor Statement

3
Illumina Inc. Investor Presentation
Executive Summary
Roche is attempting a hostile take-over of Illumina:
The offer price of $51.00 grossly undervalues the company and does not represent a reasonable basis from which to enter into a meaningful negotiation regarding a potential transaction

The tender offer is blatantly opportunistic, timed to take advantage of a temporary dislocation in Illumina s stock price and in advance of extraordinary growth in the market opportunity for next generation genetic sequencing

To advantage itself at the expense of Illumina stockholders, Roche is proposing a slate of director nominees to replace four experienced Illumina directors and to increase the size of Illumina s Board in order to take control of the Company

Illumina has rejected Roche s offer:

Our independent Board, with financial advice from Goldman Sachs and Bank of America Merrill Lynch, carefully evaluated Roche s offer and concluded that it is grossly inadequate and not in the best interest of our stockholders

Expansion of Illumina s Board and election of the Roche nominees will not be in the best interest of our stockholders

4
1.
Introduction to Illumina
2.
Illumina s Independent Board
3.
Response to Roche s Offer
4.
Illumina s Growth Opportunities
5.
Financial Performance and Outlook

6.
Summary and Conclusion

5
Illumina s Mission
Innovating for the Future of Genetic Analysis
To be the leading provider of integrated solutions that
advance the understanding of genetics and health
From Genome Wide Discovery
To Targeted Validation and Beyond

Illumina s Matrixed Organization
Optimized to Tap Into New Markets
Jay Flatley
CEO & President
Chris Cabou
SVP & General
Counsel

Tristan Orpin
SVP, Commercial Operations
Kevin Harley
VP, HR
Nick Naclerio
SVP Corporate & Venture Development
Mostafa Ronaghi
Chief Technology Officer
Marc Stapley
SVP & CFO
Diagnostics
Genomic Solutions
Business Units
Functions
Research/Services & New Technologies
Legal & Administration
Finance & Investor Relations
Commercial Operations
Market Development & Collaborations
Human Resources
Greg Heath
SVP & GM
Christian Henry
SVP & GM
Translational & Consumer Genomics
PCR & Molecular Biology
Matt Posard
SVP & GM
Mark Lewis
SVP & GM
6

7
Illumina is a Global Organization
Multi-Site Manufacturing, R&D, Sales, Service & Support
Commercial
Mfg/R&D
Partners
Illumina KK (Tokyo)

Jinan, China
Chengdu, China
Korea
India
Malaysia
Vietnam
Shanghai
New Zealand
Thailand
Taiwan
Illumina BV
(The Netherlands)
Illumina China
(Beijing)
Illumina
Cambridge
Illumina
Singapore
Illumina Hayward
(Hayward, CA)
Illumina Global
Headquarters
(San Diego, CA)
Australia
South Africa
Greece
Turkey
Russia
Middle East
Israel
Epicentre
(Madison, WI)
Illumina Brazil
>2,200 Employees

8
Large and Growing Addressable Markets
Next-Gen Sequencing Creates New Markets
Life Sciences
~$4B
Consumer
Molecular Dx

~$3B
Applied
Markets
~$1B

Key Technologies Driving the Genomic Revolution
Sequencing vs. Genotyping
DNA Sequencing:
Reading the Letters
Genotyping:
Reading known
sign posts

9

10
Who is Illumina?
Worldwide Leader in Genomic Analysis
Recognized leader in next-generation sequencing with >90% of the world s sequencing data generated using Illumina platforms
Recognized leader in microarrays with ~80% market share in DNA genotyping
Unmatched history of innovation and strong R&D pipeline

Singularly positioned in nascent but rapidly growing market
Enormous potential to capture major share of emerging new markets

11
Recognized leader in Genetic Analysis
Illumina Has Earned and Maintained a Leadership Position
Overcame much larger market leader
(Roche)
Have grown or maintained market share
against multiple new entrants

Overcame larger and more established
DNA array market leaders (Affymetrix,
Agilent)
Recognized as the de facto collaborator
on new arrays (e.g., Exome, Bovine LD)
Year-End Next Gen Sequencing Market
Share by Revenue[1]
2011 DNA Genotyping Microarray Market
Share by Revenue[2]
1. Based on company estimates and company filings.
2. Based on company estimates.
(Solexa)
78%
11%
3%
7%
1%
Illumina
Affymetrix
Fluidigm
Sequenom
Other Arrays
0%
20%
40%
60%
80%
100%
2006
2007
2008
2009
2010
2011
Complete Genomics
Pacific Biosciences
Roche
Illumina
Life Technologies

12
Illumina Portfolio Overview
Addressing the Breadth of Complexity Across Genetic Analysis
From Genome-Wide Discovery to Targeted Validation and Screening
Sequencing
Arrays
qPCR

Redefining the trajectory of sequencing
High performance desktop sequencing
Most widely adopted NGS platform
Unique combination of sequencing and arrays
Speed, quality and versatility for arrays
Accuracy, versatility and flexibility for molecular testing
Gold-standard qPCR made accessible
HiScanSQ
Genome Analyzer IIx
HiScan
BeadXpress
MiSeq
HiSeq Family
Eco

13
Innovation is in Our DNA
Lower Array and Sequencing Costs Drive New, Large Market Opportunities
Consistently innovating microarrays and next-generation
sequencing at a much faster rate than Moore s Law
Elasticity unlocks huge markets like agriculture, cancer, newborn
screening and consumer genomics


Array Cost Per Data Point¹
Cost Per Whole Human Genome¹
1. Based on company estimates.
$1,000
$10,000
$100,000
$1,000,000
$10,000,000
2009
GAIIx
2010
HiSeq
2011
HiSeq
v3
Cost per Whole
Human Genome
(30x)
Moore's Law
2006
GA1G
2007
G
2008
GAII
$0.0001
$0.0010
$0.0100
$0.1000
$1.0000
6/30/02
4/30/04
2/28/06
12/31/07
10/31/09
8/31/11
Cost per Datapoint
Moore's Law

14
Developed with bovine thought leaders
Screening for milk production, reproduction, health
Customizable with add-on content
Illumina s Microarray Portfolio
Broadest and Most Integrated Portfolio of Common, Rare & Custom Content
AG
Focused
Whole-Genome
Omni5
Human Exome
Over 250k markers based on exome sequencing
Over 1m samples ordered to date
Available as add-on content to OmniExpress and Omni5
The highest value content to power GWAS (Genome-wide Association Studies)
Up to 5m markers and custom add-on capability
BovineLD

15
An Example of Scale: the Human Genome Project (HGP)
1990-2003

13 years

~40 Institutions

8-9X Coverage

$3.8 Billion
2012

1 instrument

~1week

<1 FTE (Full-Time Equivalent)

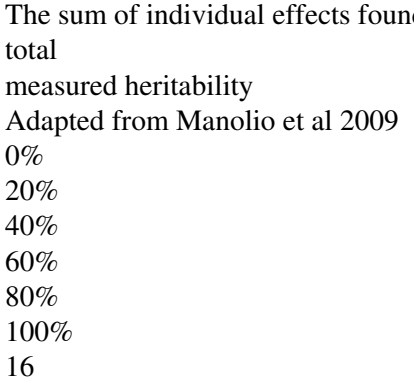
5 Genomes at 30X coverage

Or approximately the output of the entire, 13-year HGP in one 8 hour shift

>2,000,000 times cheaper

1 instrument >14,000 X faster than the 40 labs combined

The Missing Heritability
Genetics Loads the Gun, Environment Pulls the Trigger
Explained Heritability
Missing Heritability
Rare
Common Disease
Most diseases have familial risk, or heritability


The sum of individual effects found so far is much less than the
total
measured heritability
Adapted from Manolio et al 2009
0%
20%
40%
60%
80%
100%
16

17
Genomics Technology Moves To the Clinic
Profound Impact of Whole Human Genome Sequencing
Variants, disease mechanisms, diagnosis, treatment, prevention
Illumina sequencing customers

Trisomy 21

Down s Syndrome (Potential for T18, T13)

Immune system

Targeted gene tests
Research hospitals planning to sequence incoming patients

Already done by CHOP* for children (genotyping)
Most cancer centers planning to sequence every tumor biopsy
A state proposing to sequence their entire population
Several countries considering sequencing their populations

Over representation of specific diseases in population
* Children s Hospital of Philadelphia

18
Superior Revenue and EPS Growth
Continually Innovating and Redefining the Genetic Analysis Market
1. Non-GAAP Diluted EPS.
*Non-GAAP EPS unprofitable prior to 2006
10 Year Revenue CAGR: 83%
5 Year EPS CAGR[1]:

26%
$0.00
$0.20
$0.40
$0.60
$0.80
$1.00
$1.20
$1.40
$0
$200
$400
$600
$800
$1,000
$1,200
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Revenue
Non-GAAP EPS
1

19
10 Year Stock Performance
Execution Delivers Superior Shareholder Value
BeadLab System Launched
Human-1 Genotyping
BeadChip Launched
Solexa Acquisition

Illumina #1 Microarrays
BeadXpress Launched
Illumina #1 NGS
iScan Launched
HiSeq 2000 and Genome
Analyzer IIe Launched
Eco Real-Time PCR
System Launched
Epicentre Acquisition
ILMN: 1,129%
S&P 500: 16%
$0
$200
$400
$600
$800
$1,000
$1,200
$1,400
$1,600
$1,800
Jan-02
Oct-02
Jul-03
Apr-04
Jan-05
Oct-05
Jul-06
Apr-07
Jan-08
Oct-08
Jul-09
Apr-10
Jan-11
Oct-11
S&P 500
ILMN
HiScanSQ Begins Shipping
MiSeq & BaseSpace Launched
HiSeq 2500 Announced

20
Cancer
Newborn Screening
Agrigenomics
Whole Populations
The Future of Genomic Analysis
Emerging and Very Large Markets

Cancer is a disease of the genome, resulting from a modified genome
Saving lives, improving diagnosis, and tailoring personalized treatment
Primary diagnosis of metabolic and genetic diseases
Predictive medicine identifying health risk during a later part of life
Helping to feed the world
The world must increase food output by 70-100% by 2050
Improving health and healthcare delivery through knowledge
Identifying risks and modifying lifestyles or intervening earlier for a more successful healthcare outcome

21
1.
2.
3.
4.
5.
6.
Summary and Conclusion
Financial Performance and Outlook
Illumina s Growth Opportunities
Response to Roche s Offer

Illumina s Independent Board
Introduction to Illumina

22
Independent Board of Directors
Possesses Critical Industry and Business Experience
William H. Rastetter, Ph.D. (Chairman): Director since 1998

Partner of Venrock Associates (venture capital firm); Former Exec. Chairman of Biogen Idec Inc.; Former CEO, Chairman, President, and CFO of IDEC Pharmaceuticals Corp.; S.B. (Chemistry) from MIT and Ph.D. (Chemistry) from Harvard

A. Blaine Bowman (Chair of Audit Committee): Director since 2007

Former Chairman, President, and CEO of Dionex Corporation, and a board director at the time of its sale to Thermo Fisher; Past director of Solexa, Inc. (acquired by Illumina); Previously management consultant with McKinsey & Company

Daniel M. Bradbury: Director since 2004

CEO and director of Amylin Pharmaceuticals, Inc.; Past President and

EVP
of
Amylin;
Member
of
UCSD
Rady
School
of
Management s Advisory Council; Member of the Univ. of Miami s Innovation Corporate Advisory Council and its Diabetes
Research Institute Corporate Advisory Council
Karin Eastham, CPA (Chair of Nominating/Corporate Gov. Committee): Director since 2004

Full-time independent director, with extensive experience serving on a number of public company boards

Former EVP and Chief Operating Officer and Board of Trustees member of Burnham Institute for Medical Research; Former
SVP (Finance), CFO, and Secretary of Diversa Corp.; Past director of Genoptix, Inc. until its sale to Novartis
Paul C. Grint, M.D.: Director since 2005

President of Cerexa, Inc., a wholly-owned subsidiary of Forest Laboratories, Inc.; Past Chief Medical Officer of Kalypsys Inc.
Past executive positions at Pfizer Inc., IDEC Pharmaceuticals Corp., and Schering-Plough
Gerald Möller, Ph.D.: Director since 2010

Advisor at HBM Bio Ventures AG (Swiss investment firm focusing on biotechnology, emerging pharmaceutical, and medical
technology); Former Head of Global Development and Strategic Marketing, Pharmaceuticals, and Exec. Committee member o
Hoffmann LaRoche; Former CEO of Boehringer Mannheim Group (acquired by Roche)
David R. Walt, Ph.D.: Director since 1998 (one of Illumina s founders)

Robinson Professor of Chemistry at Tufts University; Member of the National Academy of Engineering; Fellow of the Americ
Institute of Medical and Biological Engineers; Fellow of the American Association for the Advancement of Science
Roy A. Whitfield (Chair of Compensation Committee): Director since 2007

Former Chairman and CEO of Incyte Corporation; Past director of Solexa, Inc. (acquired by Illumina); Previously managemen
consultant with Boston Consulting Group

Strong Committee Structure
Ensuring Effective Corporate Governance
Below is a summary of our committee structure and membership information:
23

24
Directors Up For Re-election
Tremendous Experience and Leadership is at Stake

Bill has tremendous scientific and technical expertise combined with the highest level executive business experience leading rapidly growing companies in our industry

Bill s board and executive leadership experience provides valuable strategic and governance insight to our Board

Bill has led a number of public company transactions, including IDEC's tender for, and merger with, Biogen in 2003
Jay T. Flatley (President and CEO since 1999)

Jay has led and managed our remarkable growth and development

Jay s long experience with Illumina is critical to our Board s understanding of the needs of our customers, the markets in which we compete, and the risks and opportunities associated with our product development and technological advances

Jay was a co-founder of Molecular Dynamics, Inc., and led its sale to Amersham Pharmacia Biotech in 1998
A. Blaine Bowman (Director since 2007)

Blaine has a thorough understanding of highly technical manufacturing processes associated with scientific instruments such as ours combined with deep business leadership experience

Blaine s past service as a director of Solexa, Inc. (at the time we acquired Solexa) provides our Board with critical insight in addressing the DNA sequencing market

Blaine has participated in a number of public company transactions, including the sale of Dionex to Thermo Fisher in 2011
Karin Eastham, CPA (Director since 2004)

Karin s unmatched understanding of biomedical research institutions, which are among our core customers, is critical to our Board s understanding of the needs of our end markets

Karin s broad senior level business leadership and finance experience, including 12 years at Boehringer Mannheim Corporation, ultimately serving as Vice President, Finance for the Diagnostics Division, provides our Board with deep insight into governance and strategy matters that have materially contributed to our success
William H. Rastetter, Ph.D. (Chairman since 2005; Director since 1998)

25
Active and Engaged Board of Directors
Committed to Acting in the Best Interests of Our Stockholders
Active and responsive Board

40 Board and Board Committee meetings in the last 12 months
All directors except CEO (Jay Flatley) are independent under NASDAQ rules and are

committed to maximizing shareholder value
Board members have significant equity ownership, which aligns their interests with the interests of our stockholders
Chairman and CEO roles are separated

CEO is responsible for setting our strategic direction and for our day-to-day leadership and performance

Chairman provides frequent strategic guidance to the CEO, assists in setting the schedules and agendas for Board meetings, and presides over Board meetings

Chairman also facilitates robust director, Board, and CEO evaluation processes and leads the Board in reaching consensus on particular strategies and policies
Independent Compensation Committee oversees and directs the design and implementation of executive compensation plans

Senior management compensation is tied to the long-term success of the business and is aligned with the creation of shareholder value

26
1.
Introduction to Illumina
2.
Illumina s Independent Board
3.
Response to Roche s Offer
4.
Illumina s Growth Opportunities
5.
Financial Performance and Outlook

6.
Summary and Conclusion

27
Chronology of Roche s Unsolicited Offer
Illumina s Board Acted Proactively and Managed Review From the Start
December 13, 2011
Roche s chairman made an unsolicited oral proposal to
acquire Illumina (no price specified)
December

14,
2011

Illumina s
Board
met
to
discuss
and
establish
a
process
to fully evaluate Roche s proposal, including appointing financial advisors and
reviewing Illumina s long-term strategic plan and forecasts
December
20,
2011

Roche s
chairman
updated
its
unsolicited
proposal
to
acquire
Illumina
by
orally
suggesting
it
would
be
willing
to
pay
a
50%
premium
January 3, 2012

Roche s chairman sent a letter making an unsolicited
proposal to acquire Illumina for $40 per share in cash
January
17,
2012

After
careful
review

and consideration with its financial and legal advisors (over the course of four Board meetings between December 23, 2011 and January 17, 2012), Illumina s Board unanimously concluded that Roche s proposal grossly undervalued Illumina and its prospects for continued growth and was not in the best interests of Illumina s stockholders. Accordingly, Illumina s board rejected the proposal

28
Chronology of Roche s Unsolicited Offer
Illumina s Board Acted Proactively and Managed Review From the Start
January
24,
2012

Roche s chairman sent a letter, which Roche simultaneously publicly disclosed, making an unsolicited proposal to acquire Illumina for $44.50 per share in cash
February 7, 2012

After careful review and consideration with its financial and legal advisors (over the course of three Board meetings between January 25, 2012 and February 7, 2012), Illumina s Board unanimously concluded that Roche s proposal grossly undervalued Illumina and its prospects for continued growth and was not in the best interests of Illumina s stockholders. Accordingly, Illumina s board rejected the proposal
March 28, 2012

Roche s chairman sent a

letter,
which
Roche
simultaneously
publicly disclosed, increasing its offer price to $51.00 per share in cash
April
2,
2012

After
careful
review
and
consideration
with
its
financial
and
legal
advisors (over the course of two Board meetings between March 31, 2012 and
April 2, 2012), Illumina s Board unanimously concluded that Roche s proposal
grossly undervalued Illumina and its prospects for continued growth, and was
not
in
the
best
interests
of
Illumina s
stockholders.
Accordingly,
Illumina s
board
rejected
the
proposal

29
Evaluating Roche s Unsolicited Offer
The
Board s
Process
Was
Thorough

and
Comprehensive
The Board was fully engaged in managing this process
Met thirteen times between December 14, 2011 and April 2, 2012 to review and consider matters relating to Roche s unsolicited proposals and Illumina s long-term strategic plan and financial models
Established a Transactions Committee having broad authority to assist the Board of Directors in evaluating Roche s unsolicited proposals and alternatives thereto
Retained experienced financial and legal advisors from the very start

Goldman Sachs and Bank of America Merrill Lynch as financial advisors

Dewey & LeBoeuf as transaction counsel and Abrams & Bayliss as Delaware counsel
With counsel from Dewey & LeBoeuf and Abrams & Bayliss, the Board carefully considered its fiduciary duties throughout the process, including whenever the Board made a recommendation regarding the Roche proposal
The Board carefully reviewed and considered Illumina s long-term strategic plan and financial models, which were already being updated as part of an annual strategic review process

30
Roche s Offer is Grossly Inadequate
Far From a Reasonable Starting Point For Negotiations
The offer is grossly inadequate, does not reflect the intrinsic or scarcity value of Illumina, and is far from being a reasonable starting point for negotiations
Dramatically undervalues Illumina s unmatched leadership position in an industry on the verge of extraordinary growth

Does not adequately compensate our stockholders for the value of Illumina s:

Unique and innovative technological capabilities and platforms

Proven track record of operational and financial performance

Tremendous growth prospects in clinical, diagnostics, and other markets

Central role as an enabler of personalized healthcare
The
offer is opportunistically and urgently timed to exploit a temporary dislocation in Illumina s stock price caused by external factors
Illumina s Standalone Performance Will Deliver Far Superior Value

31
1.
Introduction to Illumina
2.
Illumina s Independent Board
3.
Response to Roche s Offer
4.
Illumina s Growth Opportunities
5.
Financial Performance and Outlook

6.
Summary and Conclusion

32
Next Gen Sequencing Will Become Ubiquitous
Cost Reduction & Ease of Use Will Broaden Adoption
Potential for
Total Next-Gen
Sequencing Installations
>50,000

Molecular
Biology Labs
Globally

33
Segmenting the Sequencing Market
Markets and Key Characteristics
Whole genome and exome
sequencing
Tumor/normal sequencing
Applied markets

Clinical applications (CLIA)
Foundational research
Initial Markets

Existing HiSeq customers

CE replacement

Clinical research

Applied markets
Long Term Markets

Clinical applications

Diagnostics
Low capital cost, ease of use, rapid turnaround
time, sample prep, and high data quality
Low cost per base and high data quality
Low
Mid Throughput
High Throughput

34
Key Features of HiSeq 2500
Strong Customer Interest
Initial Orders Booked
HiSeq
2500

delivering
a
genome
in
a
day
Special flow cell
and reagents
On-board cluster
generation a la MiSeq
Quality equal to or better
than standard 600 G/run
Capable of 20 exomes a
day or up to 30 RNA-seq
samples in 5 hours
1 Instrument
2 Run Configurations
5 human genomes
in 10 days
1 human genome
in a day

35
Expanding the MiSeq Market
Near-Term Performance Improvements
Low run cost
Amplicon & small
microbial sequencing
Targeted resequencing

4 Gb at 2 x 150
6 -
7 Gb at 2 x 250
Targeted cancer panels
100 s Mb
1-1.5 Gb
4-7 Gb

36
BaseSpace Creates a Connected Ecosystem
Accelerates Analysis and Sharing of Genomic Data
App Space
Public Databases

37
NIH Spending Levels

38
NCI Spend on Sequencing
Spend in Sequencing Small Portion of Total Budget
NCI Sequencing Spend
NCI Hypothetical Sequencing
Spend at 2% of Budget
$0

$20
$40
$60
$80
$100
$120
2009
2010
2011
2012
2013
2014
2015

39
NIH Hypothetical Sequencing
Spend at 12% CAGR
NIH Sequencing Spend
Trend of NIH Spend in Sequencing
Utility of Sequencing Drives Double Digit Growth
$0

$100
$200
$300
$400
$500
$600
$700
2009
2010
2011
2012
2013
2014
2015

40
Large Sequencing Opportunities
Sequencing Core Technology for Modern Life Science Research

41
European Funding Environment Improving
Genomics Expected to Grow Significantly
$100
$150
$200
$250

$300
$350
2008
2009
2010
2011
2012E
2013E
2014E
2015E
2016E
2017E
FP7 Outlays
Horizon 2020 Estimated Outlays
$
-
$50

Industrial Markets Present Significant Opportunities
Illumina Technologies Ready to Address Key Drivers for Broad Adoption
Key Drivers for Adoption:

Low cost / sample

Decreased capital costs

Simplified sample prep
with high levels of
automation

Automated data analysis
$1.8 Billion Incremental Opportunity
Industrial Market Opportunity
($millions)
Forensics
Bio / Pharma QC
Food Testing
Seed Testing
Biodefense
Vet Dx
Hi Value Agriculture
300
170
200
150
300
200
500
42

43
Diagnostic Market Opportunities
Cancer & Reproductive Genetics driven by sequencing
$5.7
$13.0
$23.1
$0

$5
$10
$15
$20
$25
2012
2015
2020
Infectious Disease
Reproductive Genetics
CDx & PGx
Other
Cancer

HiSeq Creates High-Throughput Clinical Market
Doubled Placements into Translational Sites (YoY)
Sequenom
MateriT21 for Down syndrome
Children s Mercy Hospital
592-
rare childhood disorder

exome carrier test
Foundation Medicine
Cancer treatment
Wash U Med School
28-gene cancer diagnostic panel
Mayo Clinic
18-gene colorectal cancer panel
Partners Healthcare
46-gene cardiomyopathy panel
44

45
Future Market Opportunities
Very Large Sequencing Markets Emerging
~$348 Million
~$348 Million
(Newborns)
(Newborns)

~$254 Million
~$254 Million
(Cancer + Normal)
(Cancer + Normal)
~$24 Million
~$24 Million
(Clinical trials)
(Clinical trials)
1. http://www.ciscrp.org/professional/facts_pat.html.
2. http://www.cancer.org/acs/groups/content/@epidemiologysurveilance/documents/document/acspc-031941.pdf.
3. Assumes tumor-normal sequencing pair.
4. http://globocan.iarc.fr/factsheet.asp.
5. http://www.unicef.org/infobycountry.
6. Includes China, Russia and Mexico.
US annual newborns 4.4M
5
Ex-US Industrial countries
annual
newborns 30.4M
5,6
US annual cancer diagnoses ex-
non melanoma skin cancer
1.6M
2,3
Ex-US annual cancer diagnoses
ex-non melanoma skin cancer
11M
3,4
US clinical trial participants ~1.5M[1]
Ex-US clinical trial participants ~.9M[1]
~$626 Million Total
Assuming $1,000
genome and 1%
penetration

46
Summary
Rapid innovation is driving new market opportunities

Integrated systems will create competitive advantage
Global funding environment expected to improve

Allocation to next generation sequencing increasing
Diverse array of applications is driving industrial markets

Enabled by lower costs, higher throughput and ease of use
Largest opportunity is beginning to emerge in Diagnostics

Reproductive Genetics market

Clinical utility demonstrated in cancer market

Infectious disease market growing rapidly

47
1.
Introduction to Illumina
2.
Illumina s Independent Board
3.
Response to Roche s Offer
4.
Illumina s Growth Opportunities
5.
Financial Performance and Outlook

6.
Summary and Conclusion

48
Revenue Growth
Illumina Has Delivered Consistent and Superior Revenue Growth
Illumina Historical Revenue
5 Year Revenue CAGR vs. Peers
Source: Company filings, Capital IQ, and IBES.
Note: Life Sciences include: Affymetrix, Agilent, Bio-Rad, Bruker, Complete Genomics, Fluidigm, Life Technologies, Lumin

Techne, Thermo Fisher, and Waters.
Molecular Diagnostics include: Cepheid, Genomic Health, Gen-Probe, Myriad, Qiagen, and Sequenom.
$184.6
$366.8
$573.2
$666.3
$902.7
$1,055.5
$0.0
$200.0
$400.0
$600.0
$800.0
$1,000.0
$1,200.0
2006
2007
2008
2009
2010
2011
41.7%
10.2%
23.1%
Illumina
Life Sciences Median
Molecular Diagnostics
Median

49
Gross Profit
Supported by Solid Gross Margins
Constant technology & chemistry innovation has enabled us to lead the enormous reduction in the cost of sequencing

Our advances in production methods concurrently preserve robust gross margins

New generations of instruments, while preserving support for the previous generations, contribute to our increasing installed base

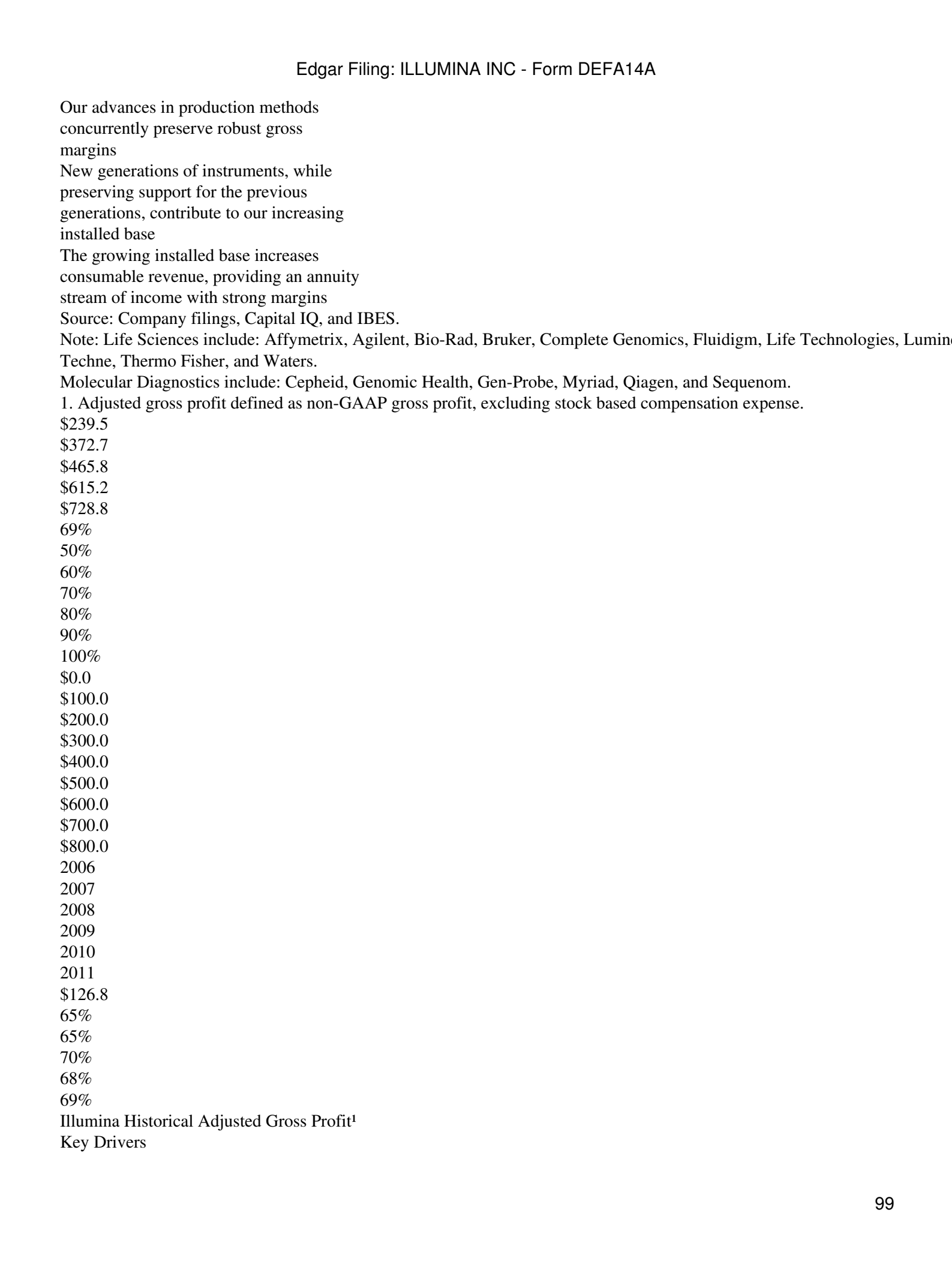
The growing installed base increases consumable revenue, providing an annuity stream of income with strong margins

Source: Company filings, Capital IQ, and IBES.

Note: Life Sciences include: Affymetrix, Agilent, Bio-Rad, Bruker, Complete Genomics, Fluidigm, Life Technologies, Lumin
Techne, Thermo Fisher, and Waters.

Molecular Diagnostics include: Cepheid, Genomic Health, Gen-Probe, Myriad, Qiagen, and Sequenom.

1. Adjusted gross profit defined as non-GAAP gross profit, excluding stock based compensation expense.



50
2011 Operating Profit Margin vs. Peers[1]
Source: Company filings, Capital IQ, and IBES.
Note: Life Sciences include: Affymetrix, Agilent, Bio-Rad, Bruker, Complete Genomics, Fluidigm, Life Technologies, Lumin
Techne, Thermo Fisher, and Waters.
Molecular Diagnostics include: Cepheid, Genomic Health, Gen-Probe, Myriad, Qiagen, and Sequenom.
1. Non-GAAP operating profit as defined by IBES; includes stock based compensation expense.

25.3%
15.7%
14.8%
Illumina
Molecular Diagnostics
Median
Life Sciences Median
Operating Profit
Coupled with Robust and Improving Operating Margins
$37.8
$59.8
$121.2
$149.3
$214.6
$266.8
20%
16%
21%
22%
24%
25%
10%
15%
20%
25%
30%
35%
40%
45%
50%
$0.0
$50.0
$100.0
$150.0
$200.0
$250.0
$300.0
2006
2007
2008
2009
2010
2011
Illumina Historical Non-GAAP Operating Profit[1]

Earnings Per Share
And Industry Leading EPS Growth
Source: Company filings, Capital IQ, and IBES. Excludes companies with not meaningful metrics.
Note: Life Sciences include: Affymetrix, Agilent, Bio-Rad, Bruker, Complete Genomics, Fluidigm, Life Technologies, Lumin
Techne, Thermo Fisher, and Waters.
Molecular Diagnostics include: Cepheid, Genomic Health, Gen-Probe, Myriad, Qiagen, and Sequenom.
1. Non-GAAP EPS as defined by IBES.

$0.41
$0.42
$0.68
$0.80
$1.06
$1.30
$0.00
$0.20
$0.40
$0.60
$0.80
$1.00
$1.20
$1.40
2006
2007
2008
2009
2010
2011
26.0%
12.8%
13.2%
Life Sciences Median
Illumina
Molecular Diagnostics
Median
Illumina Historical Non-GAAP EPS[1]
5 Year Non-GAAP EPS CAGR vs. Peers[1]
51

52
Return on Invested Capital
In Addition to Strong and Improving Return on Invested Capital
Source: Company filings, Capital IQ, and IBES. Excludes companies with not meaningful metrics.
Note: Life Sciences include: Affymetrix, Agilent, Bio-Rad, Bruker, Complete Genomics, Fluidigm, Life Technologies, Lumin
Techne, Thermo Fisher, and Waters.
Molecular Diagnostics include: Cepheid, Genomic Health, Gen-Probe, Myriad, Qiagen, and Sequenom.

1. ROIC
defined
as
after
tax
non-GAAP
operating
profit
(including
SBC
expense)
divided
by
the
sum
of
shareholders
equity
and
debt
less
cash.
Based
on
statutory
tax
rate.
20.5%
11.2%
15.8%
Life Sciences Median
Illumina
10.6%
14.1%
17.3%
20.1%
20.5%
0.0%
5.0%
10.0%
15.0%
20.0%
25.0%
2007
2008
2009
2010
2011
Molecular Diagnostics
Median

Illumina Historical ROIC[1]
2011 ROIC vs. Peers[1]

53
Analyst Estimates
Illumina Has Outperformed Analyst EPS Estimates for 16 of the Last 20 Quarters
Source: Company filings and IBES.
1. For quarters in which the company pre-announced results, the IBES median is based on estimates prior to the pre-announcer
Source: Company filings and IBES
1. For quarters in which the company pre-announced results, the IBES median is based on estimates prior to the pre-announcer

Revenue
Non-GAAP EPS
%
vs. IBES
8.6%
9.1%
4.0%
6.9%
5.6%
7.8%
2.9%
4.1%
1.2%
(0.4)%
(5.4)%
7.6%
8.0%
9.3%
8.7%
4.7%
8.1%
2.1%
(15.7)%
1.0%
2007
2008
2009
2011
2010
%
vs. IBES
40.3%
55.6%
26.7%
20.4%
8.3%
12.7%
(8.0)%
47.1%
5.3%
28.5%
(15.8)%
16.7%
11.1%
14.0%
23.5%
(6.5)%
13.3%
3.8%
(37.5)%

34.6%
2007
2008
2009
2011
2010
$72
$85
$98
$113
$122
$140
$150
$161
$166
$162
$158
$181
$192
$212
$237
$261
$283
$287
$235
$250
$66
$77
$94
$105
$115
$130
$146
$155
$164
$162
$167
$168
$178
$194
$218
$250
$261
$282
$279
$248
$0
$50
$100
$150

$200
$250
$300
$350
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4[1]
Q1
Q2
Q3
Q4[1]
Q1
Q2
Q3[1]
Q4[1]
$0.06
$0.10
$0.12
$0.15
$0.13
$0.16
$0.15
$0.25
$0.20
$0.23
$0.17
$0.21
$0.21
$0.26
$0.30
$0.29
$0.35
$0.38
$0.22
$0.35
$0.04
$0.06
$0.10
$0.12
$0.12
$0.14

$0.16
$0.17
$0.19
$0.18
$0.20
$0.18
$0.19
$0.23
$0.24
$0.31
$0.31
$0.37
$0.35
$0.26
$0.00
$0.10
$0.20
$0.30
$0.40
$0.50
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4[1]
Q1
Q2
Q3
Q4[1]
Q1
Q2
Q3[1]
Q4[1]
Reported Results Above IBES Median
Reported Results Below IBES Median
IBES Median Estimate
No.
Above
= ILMN
Actual
No.
Below
= IBES Median

54
Illumina
Life Sciences
Molecular Diagnostics
Share Price and Total Shareholder Return
Leading to Superior Share Price Performance and Shareholder Return
5 Year Stock Price Performance[1]

5 Year Total Shareholder Return[1]
Source: Bloomberg.
Note: Excludes Complete Genomics, Fluidigm, and Pacific Biosciences because companies have not been publicly traded for t
1. For the 5 years prior to Roche s public announcement of unsolicited offer for Illumina on 24-Jan-2012.
(2.3)%
(2.3)%
297.3 %
84.1 %
82.6 %
78.6 %
56.5 %
50.6 %
50.3 %
30.6 %
30.6 %
24.3 %
22.1 %
21.4 %
17.0 %
8.4 %
5.2 %
0.2 %
297.3 %
88.9 %
84.1 %
82.6 %
56.5 %
50.6 %
50.3 %
30.6 %
30.6 %
30.4 %
23.4 %
22.1 %
21.4 %
12.2 %
8.4 %
0.2 %

EV / Sales Trading Multiples
And Premium Trading Multiples
5.7x
2.8x
4.5x
5.5x
0x

2x
4x
6x
8x
10x
12x
14x
Mar-2007
Jan-2008
Nov-2008
Sep-2009
Jul-2010
May-2011
Mar-2012
Daily from 30-Mar-2007 to 30-Mar-2012
Illumina
Life Sciences
Molecular Diagnostics
Roche Tender Offer at $51.00
1 Year
3 Year
5 Year
Illumina Average
5.8
x
6.5
x
7.6
x
% of Days Illumina Multiple Greater than Roche Offer
51%
77%
82%
Life Sciences Average
2.8
x
2.7
x
2.9
x
Implied Premium for Illumina
106%
139%
163%
Molecular Diagnostics Average
4.6
x
4.5
x
5.5

x
Implied Premium for Illumina
27%
44%
38%
Source: Company filings, Capital IQ, and IBES. Excludes companies with not meaningful multiples. Market capitalization con
Note: Life Sciences include: Affymetrix, Agilent, Bio-Rad, Bruker, Complete Genomics, Fluidigm, Life Technologies, Lumin
Techne, Thermo Fisher, and Waters.
Molecular Diagnostics include: Cepheid, Genomic Health, Gen-Probe, Myriad, Qiagen, and Sequenom.
LTM EV/Sales
55

Premium P/E Multiple
Most Analysts Use P/E as Their Primary Valuation Metric for Illumina
Source: Company filings, Capital IQ, and IBES. Excludes companies with not meaningful multiples.
Note: Life Sciences include: Affymetrix, Agilent, Bio-Rad, Bruker, Complete Genomics, Fluidigm, Life Technologies, Lumin
Techne, Thermo Fisher, and Waters.
Molecular Diagnostics include: Cepheid, Genomic Health, Gen-Probe, Myriad, Qiagen, and Sequenom.
34.8x

15.5x
16.8x
33.7x
0x
10x
20x
30x
40x
50x
60x
70x
Mar-
2007
Jan-2008
Nov-2008
Sep-2009
Jul-2010
May-2011
Mar-2012
Illumina
Life Sciences
Molecular Diagnostics
Roche Tender Offer at $51.00
Daily from 30-Mar-2007 to 30-Mar-2012
56
1 Year
3 Year
5 Year
Illumina Average
31.9
x
35.3
x
40.5
x
% of Days Illumina Multiple Greater than Roche Offer
45%
70%
76%
Life Sciences Average
15.7
x
16.7
x
17.4
x
Implied Premium for Illumina
104%
111%
133%

Molecular Diagnostics Average
17.1
x
18.8
x
22.6
x
Implied Premium for Illumina
87%
88%
79%
NTM P/E

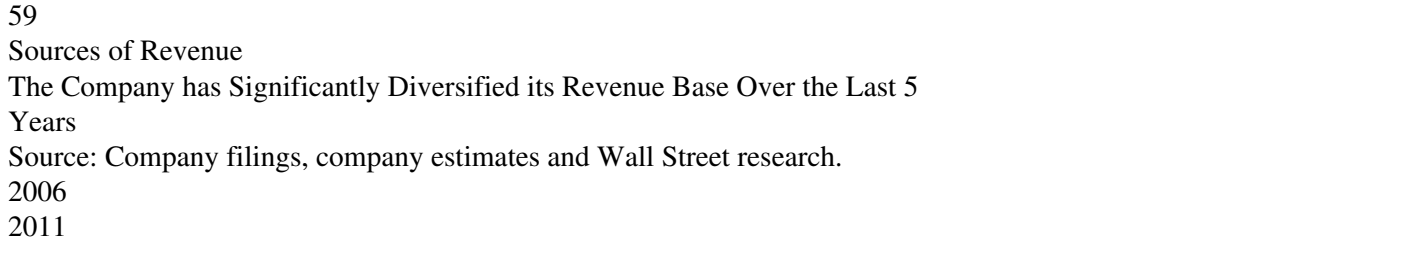
57
Recent Performance
Third Quarter 2011 Challenges
Illumina
Life Sciences
Illumina Quarterly Revenue
Stock Performance

Source: Company filings and Bloomberg as of 30-Mar-2012.
Note: Life Sciences include: Affymetrix, Agilent, Bio-Rad, Bruker, Complete Genomics, Fluidigm, Life Technologies, Lumin
Sigma-Aldrich, Techne, Thermo Fisher, and Waters.
Multi-Year NIH
Funding Uncertainty
European Debt
Crisis
Temporary Excess
Capacity from
Launch of V3 kits
Perfect Storm
in Q3
Corrective Actions
Taken:
Suspended
management
guidance
Pre-announced
disappointing
results
Took immediate
action on
restructuring
Significant
Progress in Q4
Key
Accomplishments:
MiSeq instruments
drove return to
sequential growth
1.2 book-to-bill
ratio delivered
strong backlog of
$251mm
Record cash flow
from operations of
$108mm
Continued
Recovery in Q1
Quarter-to-Date
Trends:
MiSeq continuing
to gain momentum
V3 overcapacity
largely absorbed
Strong
international
performance
Clarity on 2012
NIH Budget

Market Dynamics

Revenue Expectations and Share Price Performance
Industry Headwinds Impacted the NextGen Sequencing Sector
Illumina ($bn)
Life Technologies ($bn)
Pacific Biosciences ($mm)
Complete Genomics ($mm)
Source: Bloomberg and IBES.

58
Sum of 2012-2014 Revenue Estimates
Stock Price


59
Sources of Revenue
The Company has Significantly Diversified its Revenue Base Over the Last 5 Years
Source: Company filings, company estimates and Wall Street research.
2006
2011

Revenue by Product Mix
Revenue by End Market
Revenue by Geography

Financial Outlook
Illumina Will Continue to Deliver Growth for the Foreseeable Future
2012
2013 and Beyond
Financial
Guidance
Key Target Markets:

Life sciences: $4bn

Molecular Dx: $3bn

Applied markets: $1bn

Consumer
Emerging Diagnostic Opportunities:
Based on $1,000 per genome and
1% market penetration, Illumina can
target and could generate:

~$350mm in neo-natal market
revenues

~$250mm in oncology market
revenues

~$25mm in clinical trial
market revenues
Revenue: $1,100 -
$1,175mm
(4%
11% Y-o-Y growth)
Gross Margin: ~ 70%
Non-GAAP EPS[1]: $1.40 -
$1.50
(8%
15% Y-o-Y growth)
Shares Outstanding: ~135mm
Stock Based Compensation:
$105mm
1. Non-GAAP EPS guidance includes stock based compensation.
Future
Growth
Drivers
60

61
1.
Introduction to Illumina
2.
Illumina s Independent Board
3.
Response to Roche s Offer
4.
Illumina s Growth Opportunities
5.
Financial Performance and Outlook

6.
Summary and Conclusion

62
Summary and Conclusions
Recommend a Vote AGAINST Roche s Proposals and FOR Illumina s Proposals
Illumina is the clear innovation and market leader in tools for genetic analysis at
a
time
when

our
industry
as
a
whole

and
Illumina
in
particular

has
the
potential to experience extraordinary growth
Illumina s track record of innovation, commercialization and creating stockholder value is recognized as unique in the industry
Roche has acted opportunistically to take advantage of a temporary dislocation in Illumina s stock price as well as the certainty of extraordinary growth in the market opportunity in the near term
Illumina s independent Board has evaluated Roche s offer thoroughly and carefully and is committed to continuing to act in the best interests of stockholders
We believe the facts and circumstances strongly support recommendations against Roche s proposals and nominees, and in favor of Illumina s directors

63

the sequence of the human DNA is the reality of the species, and everything that happens in the world depends upon those sequences.

Renato Dulbecco, Nobel Laureate

64

ADDITIONAL INFORMATION AND WHERE TO FIND IT

This communication does not constitute an offer to buy or a solicitation of an offer to sell any securities. In response to the tender offer commenced by CKH Acquisition Corporation, a wholly owned subsidiary of Roche Holding Ltd, Illumina has filed a solicitation/recommendation statement on Schedule 14D-9 with the SEC. INVESTORS AND SECURITY HOLDERS OF ILLUMINA ARE URGED TO READ THE SOLICITATION/RECOMMENDATION STATEMENT AND OTHER DOCUMENTS FILED WITH THE SEC (WHEN THEY BECOME AVAILABLE)

CAREFULLY IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION. Investors and security holders are able to obtain free copies of these documents and other documents filed with the SEC by Illumina (when they become available) through the web site maintained by the SEC at http://www.sec.gov. Investors and security holders also are able to obtain free copies of these documents, and other documents filed with the SEC by Illumina (when they become available), from Illumina by directing a request to Illumina, Inc., Attn: Investor Relations, Kevin Williams, MD, kwilliams@illumina.com.

In addition, in connection with its 2012 Annual Meeting of Stockholders, Illumina has filed a definitive proxy statement and a WHITE proxy card with the SEC on March 19, 2012, and has mailed the definitive proxy statement and WHITE proxy card to its security holders. INVESTORS AND SECURITY HOLDERS OF ILLUMINA ARE URGED TO READ THE DEFINITIVE PROXY STATEMENT AND THE WHITE PROXY CARD FOR THE 2012 ANNUAL MEETING OF STOCKHOLDERS AND OTHER DOCUMENTS FILED WITH THE SEC (WHEN THEY BECOME AVAILABLE) CAREFULLY IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION. Investors and security holders are able to obtain free copies of the definitive proxy statement and other documents filed with

the
SEC
by
Illumina
(when
they
become
available)
through
the
web
site
maintained by
the SEC at http://www.sec.gov. Investors and security holders also are able to obtain free copies of the definitive proxy statement, and other documents filed with the SEC by Illumina (when they become available), from Illumina by directing a request to Illumina, Inc., Attn: Investor Relations, Kevin Williams, MD, kwilliams@illumina.com.

65

CERTAIN INFORMATION REGARDING
PARTICIPANTS IN THE SOLICITATION

Illumina and certain of its directors and executive officers may be deemed to be participants in the solicitation of proxies in connection with Illumina s 2012 Annual Meeting of Stockholders under the rules of the SEC. Security holders may obtain information regarding the names, affiliations and direct and indirect interests (by security holdings or otherwise) of Illumina s directors and executive officers in

(i) Illumina s Annual Report on Form 10-K for the year ended January 1, 2012, which was filed with the SEC on February 24, 2012, and (ii) Illumina s definitive proxy statement for its 2012 Annual Meeting of Stockholders, which was filed with the SEC on March 19, 2012. To the extent that Illumina s directors and executive officers holdings of Illumina s securities have changed from the amounts printed in the definitive proxy statement for the 2012 Annual Meeting of Stockholders, such changes have been or will be reflected on Statements of Changes in Beneficial Ownership on Form 4 filed with the SEC. These documents can be obtained free of charge from the sources indicated above.

Annex

ILLUMINA, INC.

ITEMIZED RECONCILIATIONS OF GAAP TO NON-GAAP RESULTS

Below is a reconciliation of Illumina s diluted net income per share, gross profit, and operating profit calculated in accordance with accounting principles generally accepted in the United States (GAAP), to non-GAAP diluted net income per share, gross profit, and operating profit. Illumina believes the non-GAAP information that is detailed below provides useful supplemental information to investors and facilitates the analysis of our core operating results and major factors in management s bonus compensation each year. Management has excluded the effects of the items detailed below to assist investors in analyzing and assessing our past and future operating performance. Non-GAAP results should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, or superior to, GAAP financial measures. It should be noted as well that our Non-GAAP metrics may be different from those provided by other companies.

Results of Operations - Non-GAAP

(In thousands, except per share amounts)

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP NET INCOME PER SHARE BY YEAR:

	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008 (h)	Fiscal Year 2007 (h)	Fiscal Year 2006 (i)
GAAP net income per share diluted	**$ 0.62**	**$ 0.87**	**$ 0.53**	**$ 0.30**	**$ (2.65)**	**$ 0.41**
Pro forma impact of weighted average shares **(a)**	0.03	0.06	0.03	0.01	0.20	
Adjustments to net income:						
Headquarter relocation expense **(b)**	0.31					
Non-cash interest expense **(c)**	0.24	0.16	0.15	0.15	0.13	
Restructuring charges	0.06					
Amortization of acquired intangible assets	0.09	0.06	0.05	0.08	0.02	
Legal settlements	(0.02)				0.46	
Acquisition related (gain) expense, net **(d)**	0.01	(0.09)	0.10	0.20	2.59	
Contingent compensation expense **(e)**	0.04	0.03	0.03	0.01		
Loss on extinguishment of debt	0.28		(0.01)			
Impairment loss related to a cost-method investment		0.10				
Impairment of manufacturing equipment				0.03		
Amortization of inventory revaluation costs					0.01	
Incremental non-GAAP tax expense **(f)**	(0.36)	(0.13)	(0.08)	(0.10)	(0.34)	
Non-GAAP net income per share diluted **(g)**	$ 1.30	$ 1.06	$ 0.80	$ 0.68	$ 0.42	$ 0.41
Weighted average shares used in calculation of Non-GAAP diluted net income per share	135,154	134,375	130,599	126,836	116,860	97,508
ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP DILUTED NUMBER OF SHARES (i):						
Weighted average shares used in calculation of GAAP diluted net income per share	138,937	143,433	137,096	133,607	108,308	97,508
Weighted average dilutive potential common shares issuable of redeemable convertible senior notes **(a)**	(3,783)	(9,058)	(6,497)	(6,771)	(1,357)	
Weighted average potential common shares excluded due to anti-dilutive effect **(j)**					9,909	
Weighted average shares used in calculation of Non-GAAP diluted net income per share	135,154	134,375	130,599	126,836	116,860	97,508

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

(b) The Company relocated its headquarters to a new facility in San Diego, California during the second half of 2011. Headquarter relocation expense in fiscal year 2011 is primarily non-cash in nature and includes a cease-use loss upon vacating certain buildings of our prior headquarters, accelerated depreciation expense, and double rent expense during the transition to our new headquarter facility.

(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) expense, net includes the following current year and prior year adjustments:

2011 adjustments:

- IPR&D charge of $5.4 million related to milestone payments for a prior acquisition
- Gain of $4.5 million for changes in fair value of contingent consideration, $1.5 million of which was recorded in Q4 2011

2010 adjustments:

- IPR&D charge of $1.3 million related to milestone payments for a prior acquisition
- Acquisition expenses of $0.5 million
- Gain on acquisition of $2.9 million recorded for the difference between the carrying value of a cost-method investment prior to acquisition and the fair value of that investment at the time of acquisition
- Gain of $10.4 million recorded in Q4 2010 for changes in fair value of contingent consideration

2009, 2008, & 2007 adjustments:

- Research and development charges related to acquisitions

(e) Contingent compensation expense represents contingent consideration for post-combination services associated with acquisitions.

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

(g) Non-GAAP net income per share and net income exclude the effect of the pro forma adjustments as detailed above. Non-GAAP diluted net income per share and net income are key drivers of our 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.

(h) Adjusted to reflect retroactive adoption of authoritative accounting guidance for convertible debt instruments that may be settled in cash upon conversion effective December 28, 2008.

(i) Adjusted as necessary to reflect a two-for-one stock split effective September 22, 2008

(j) Weighted average shares excluded from calculation of GAAP diluted net income per share for 2007 due to anti-dilutive effect on GAAP net loss.

Annex

Results of Operations as a Percentage of Revenue

(Dollars in thousands)

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP GROSS PROFIT AS A PERCENTAGE OF REVENUE:

	Fiscal Year											
	2011		**2010**		**2009**		**2008**		**2007**		**2006**	
GAAP gross profit	$ 709.1	67%	601.5	67%	$ 453.9	68%	$ 353.1	62%	231.9	63%	$ 125.2	68%
Stock-based compensation	7.6	1%	5.9	0%	5.2	1%	5.1	1%	4.5	1%	1.6	1%
Amortization of acquired intangible assets	12.1	1%	7.8	1%	6.7	1%	10.4	2%	2.4	1%		
Impairment of manufacturing equipment		0%		0%			4.1	0%				
Amortization of inventory revaluation costs		0%		0%					0.7	0%		
Non-GAAP gross profit	$ 728.8	69%	$ 615.2	68%	$ 465.8	70%	$ 372.7	65%	$ 239.5	65%	$ 126.8	69%

ITEMIZED RECONCILIATION BETWEEN GAAP & NON-GAAP OPERATING PROFIT AS A PERCENTAGE OF REVENUE:

	Fiscal Year											
	2011		**2010**		**2009**		**2008**		**2007**		**2006**	
GAAP operating profit	$ 199.5	18.9%	$ 211.7	23.4%	$ 125.6	18.8%	$ 80.5	14.0%	$ (301.2)	(82.1%)	$ 37.8	20.4%
Headquarter relocation expense **(a)**	41.8	4.0%										
Amortization of acquired intangible assets	12.7	1.2%	7.8	0.9%	6.7	1.0%	10.4	1.8%	2.4	0.6%		
Restructuring charges	8.1	0.7%										
Contingent compensation expense **(b)**	6.1	0.6%	3.7	0.4%	3.7	0.6%	1.5	0.3%				
Acquisition related expense (gain), net **(c)**	0.9	0.1%	(8.6)	(0.9%)	13.3	2.0%	24.7	4.3%	303.4	82.7%		
Legal settlement	(2.3)	(0.2%)							54.5	14.9%		
Impairment of manufacturing equipment							4.1	0.7%				
Amortization of inventory revaluation costs									0.7	0.2%		
Non-GAAP operating profit	$ 266.8	25.3%	$ 214.6	23.8%	$ 149.3	22.4%	$ 121.2	21.1%	$ 59.8	16.3%	$ 37.8	20.4%

(a) Headquarter relocation expense are primarily non-cash in nature and includes a cease-use loss upon vacating certain buildings of our prior headquarters, accelerated depreciation expense, and double rent expense during the transition to our new headquarter facility.

(b) Contingent compensation expense represents contingent consideration for post-combination services associated with acquisitions.

(c) Acquisition related (gain) expense, net includes the following adjustments:

2011 adjustments:

- IPR&D charge of $5.4 million related to milestone payments for a prior acquisition
- Gain of $4.5 million for changes in fair value of contingent consideration, $1.5 million of which was recorded in Q4 2011

2010 adjustments:

- IPR&D charge of $1.3 million related to milestone payments for a prior acquisition
- Acquisition expenses of $0.5 million
- Gain on acquisition of $2.9 million recorded for the difference between the carrying value of a cost-method investment prior to acquisition and the fair value of that investment at the time of acquisition
- Gain of $10.4 million recorded in Q4 2010 for changes in fair value of contingent consideration

2009, 2008, & 2007 adjustments:

- Research and development charges related to acquisitions

Annex

Results of Operations - Non-GAAP

(In thousands, except per share amounts)

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP NET INCOME PER SHARE BY QUARTER:

2011 (a)		Fiscal Year 2010 (a)				Fiscal Year 2009 (a)				Fiscal Year 2008 (a)				
Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q
0.22	**$ 0.16**	**$ 0.25**	**$ 0.24**	**$ 0.21**	**$ 0.16**	**$ 0.09**	**$ 0.12**	**$ 0.18**	**$ 0.14**	**$ 0.20**	**$ (0.08)**	**$ 0.09**	**$ 0.08**	**$ (**
0.01	0.01	0.01	0.01	0.02	0.01		0.01	0.01	0.01		0.01	0.02	0.02	
0.02	0.02													
0.06	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.03	0.03	0.03	
0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	
0.03		(0.07)		(0.01)		0.08			0.02		0.20			
0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01				
0.07	0.19								(0.01)					
		0.09												
												0.03		
(0.07)	(0.11)	(0.06)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.02)	(
0.38	$ 0.35	$ 0.29	$ 0.30	$ 0.26	$ 0.21	$ 0.21	$ 0.17	$ 0.23	$ 0.20	$ 0.25	$ 0.15	$ 0.16	$ 0.13	$
139,357	142,176	140,080	135,913	132,547	128,960	129,698	132,839	132,329	127,546	128,044	133,046	125,310	120,944	117

EEN GAAP AND NON-GAAP DILUTED NUMBER OF SHARES:														
141,765	153,129	151,171	145,205	140,951	136,407	136,095	139,874	139,465	132,967	131,301	119,733	133,396	127,528	110
(2,408)	(10,953)	(11,091)	(9,292)	(8,404)	(7,447)	(6,397)	(7,035)	(7,136)	(5,421)	(3,257)	(9,157)	(8,086)	(6,584)	(4
											22,470			11
139,357	142,176	140,080	135,913	132,547	128,960	129,698	132,839	132,329	127,546	128,044	133,046	125,310	120,944	117

(a) The sum of all four quarterly results by line item as presented above may be different than the reported full fiscal year results, due to the effect of rounding. In addition, for years of 2009 and prior, non-GAAP results presented above may be different from the non-GAAP results historically reported in the respective years as they have been adjusted for the following items to achieve comparability to non-GAAP results in 2010 and 2011:
- Two-for-one stock split effective September 22, 2008;
- Retroactive application of authoritative accounting guidance effective December 28, 2008 for convertible debt instruments that may be settled in cash upon conversion;
- The effect of share-based compensation expense, while excluded from the non-GAAP results historically reported in years of 2009 and prior, is included in the non-GAAP results presented above, consistent with the inclusion of such effect in 2010 and 2011.

(b) Pro forma impact of weighted average shares represents the impact of double dilution associated with the accounting treatment of the company s outstanding convertible debt and the corresponding call option overlay.

(c) Headquarter relocation expense are primarily non-cash in nature and includes a cease-use loss upon vacating certain buildings of our prior headquarters, accelerated depreciation expense, and double rent expense during the transition to our new headquarter facility.

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

(e) Acquisition related (gain) expense, net includes the following current year and prior year adjustments:

2011 adjustments:
- IPR&D charge of $5.4 million in Q2 2011 related to milestone payments for a prior acquisition
- Changes in fair value of contingent consideration as follows: loss of $0.3 million in Q1, gain of $0.7 million in Q2, gain of $2.6 million in Q3, and gain of $1.5 million in Q4.

2010 adjustments:
- IPR&D charge of $1.3 million in Q2 related to milestone payments for a prior acquisition
- Acquisition expenses in Q2 of $0.5 million
- Gain on acquisition of $2.9 million recorded for the difference between the carrying value of a cost-method investment prior to acquisition and the fair value of that investment at the time of acquisition, recorded in Q2
- Gain of $10.4 million recorded in Q4 for changes in fair value of contingent consideration

2009, 2008, & 2007 adjustments:
- Research and development charges related to acquisitions

(f) Contingent compensation expense represents contingent consideration for post-combination services associated with acquisitions.
(g) Incremental non-GAAP tax expense reflects the increase to GAAP tax expense related to the non-GAAP adjustments listed above.
(h) Weighted average shares excluded from calculation of GAAP diluted net income per share for Q1 2007, Q4 2007, and Q3 2008 due to anti-dilutive effect on GAAP net loss.

Annex

Illumina, Inc.

Reconciliation of Non-GAAP Financial Guidance

The company s future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Information on potential factors that could affect the company s financial results is included from time to time in the company s public reports filed with the SEC, including the company s Form 10-K for the fiscal year ended January 1, 2012. The company assumes no obligation to update any forward-looking statements or information.

	Fiscal Year 2012
Gross Margin	
Non-GAAP gross margin	70%
Stock-based compensation expense	(1%)
Amortization of acquired intangible assets	(1%)
GAAP gross margin	68%
Diluted net income per share	
Non-GAAP diluted net income per share	$ 1.40 - $1.50
Non-cash interest expense **(a)**	(0.16)
Headquarter relocation expense **(b)**	(0.11)
Expenses related to unsolicited tender offer	(0.11)
Amortization of intangible assets	(0.06)
Contingent compensation expense **(c)**	(0.03)
Restructuring charges	(0.03)
Pro forma impact of weighted average shares **(d)**	(0.01)
GAAP diluted net income per share	**$ 0.89 - $0.99**

(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) We expect to incur additional headquarter relocation expenses during the first half of 2012, the majority of which are non-cash in nature. These expenses include items such as additional cease-use loss upon vacating our former headquarter facilities, accelerated depreciation of certain property and equipment, and double rent expense during the transition to the new facility.

(c) Contingent compensation expense represents contingent consideration for post-combination services associated with acquisitions.

(d) Pro forma impact of weighted average shares represents the estimated impact of double dilution associated with the accounting treatment of the company s outstanding convertible debt and the corresponding call option overlay.