

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

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
- 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):

- 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:

Edgar Filing: ILLUMINA INC - Form DEFA14A

(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:

©

2011

Illumina, Inc. All rights reserved.

Illumina, illumina*Dx*, BaseSpace, BeadArray, BeadXpress, cBot, CPro, DASL, DesignStudio, Eco, GAIix, Genetic Energy, C
iSelect, MiSeq, Nextera, Sentrix, SeqMonitor, Solexa, TruSeq, VeraCode, the pumpkin orange color, and the Genetic Energy s

Illumina,

Inc.

All

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

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 Revenue¹

2011 DNA Genotyping Microarray Market
Share by Revenue²

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

GAI

\$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 CAGR¹:

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 of 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 American 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 management 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
MaterniT21 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.cisrhp.org/professional/facts_pat.html.

2. <http://www.cancer.org/acs/groups/content/@epidemiologysurveillance/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 ~1.5M¹

Ex-US clinical trial participants ~.9M¹

~\$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, Luminex

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, Luminex, 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.

\$239.5

\$372.7

\$465.8

\$615.2

\$728.8

69%

50%

60%

70%

80%

90%

100%

\$0.0

\$100.0

\$200.0

\$300.0

\$400.0

\$500.0

\$600.0

\$700.0

\$800.0

2006

2007

2008

2009

2010

2011

\$126.8

65%

65%

70%

68%

69%

Illumina Historical Adjusted Gross Profit¹

Key Drivers

50

2011 Operating Profit Margin vs. Peers¹

Source: Company filings, Capital IQ, and IBES.

Note: Life Sciences include: Affymetrix, Agilent, Bio-Rad, Bruker, Complete Genomics, Fluidigm, Life Technologies, Luminex, 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 Profit¹

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, Luminex, 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 EPS¹

5 Year Non-GAAP EPS CAGR vs. Peers¹

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, Luminex, 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 ROIC¹
2011 ROIC vs. Peers¹

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-announcement.

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-announcement.

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
Q4¹
Q1
Q2
Q3
Q4¹
Q1
Q2
Q3¹
Q4¹
\$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
Q4¹
Q1
Q2
Q3
Q4¹
Q1
Q2
Q3¹
Q4¹

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 Performance¹

5 Year Total Shareholder Return¹

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 com

Note: Life Sciences include: Affymetrix, Agilent, Bio-Rad, Bruker, Complete Genomics, Fluidigm, Life Technologies, Lumin

Techn, 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, Luminex, 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, Luminex, 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 EPS¹: \$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.

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 |

Edgar Filing: ILLUMINA INC - Form DEFA14A

- (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.

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% |

Edgar Filing: ILLUMINA INC - Form DEFA14A

- (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

Results of Operations - Non-GAAP

(In thousands, except per share amounts)

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

| | Fiscal Year 2010 (a) | | | | Fiscal Year 2009 (a) | | | | Fiscal Year 2008 (a) | | | | | |
|----------|----------------------|---------|---------|---------|----------------------|---------|---------|---------|----------------------|---------|-----------|---------|---------|-----------|
| 2011 (a) | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| \$ 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 | 0.01 | 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) | (0.02) | (0.02) | (0.03) | (0.03) |
| \$ 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 | \$ (0.01) |
| 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 | 117,000 |

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 | 110,000 |
| (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) | (4,000) |
| | | | | | | | | | | | 22,470 | | | 110,000 |
| 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 | 117,000 |

- (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

Edgar Filing: ILLUMINA INC - Form DEFA14A

- (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.

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.