

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.

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(3) Filing Party:

(4) Date Filed:



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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

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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

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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

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Introduction to Illumina
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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  
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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



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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



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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

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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<sup>1</sup>

2011 DNA Genotyping Microarray Market  
Share by Revenue<sup>2</sup>

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



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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

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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 Point<sup>1</sup>

Cost Per Whole Human Genome<sup>1</sup>

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



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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

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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

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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

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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<sup>1</sup>:

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



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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

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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:

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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)

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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

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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

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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

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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

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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



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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

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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



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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

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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

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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](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 ~1.5M<sup>1</sup>

Ex-US clinical trial participants ~.9M<sup>1</sup>

~\$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

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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 Profit<sup>1</sup>

Key Drivers

50

2011 Operating Profit Margin vs. Peers<sup>1</sup>

Source: Company filings, Capital IQ, and IBES.

Note: Life Sciences include: Affymetrix, Agilent, Bio-Rad, Bruker, Complete Genomics, Fluidigm, Life Technologies, Luminex, ThermoFisher, 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<sup>1</sup>

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 EPS<sup>1</sup>

5 Year Non-GAAP EPS CAGR vs. Peers<sup>1</sup>

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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 ROIC<sup>1</sup>  
2011 ROIC vs. Peers<sup>1</sup>

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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  
Q4<sup>1</sup>  
Q1  
Q2  
Q3  
Q4<sup>1</sup>  
Q1  
Q2  
Q3<sup>1</sup>  
Q4<sup>1</sup>  
\$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<sup>1</sup>  
Q1  
Q2  
Q3  
Q4<sup>1</sup>  
Q1  
Q2  
Q3<sup>1</sup>  
Q4<sup>1</sup>

Reported Results Above IBES Median

Reported Results Below IBES Median

IBES Median Estimate

No.

Above  
= ILMN

Actual

No.

Below  
= IBES Median

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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<sup>1</sup>



5 Year Total Shareholder Return<sup>1</sup>

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

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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.

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Sum of 2012-2014 Revenue Estimates

Stock Price

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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<sup>1</sup>: \$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



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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

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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

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**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](mailto: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](mailto:kwilliams@illumina.com).



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**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)
<b>GAAP net income per share diluted</b>	<b>\$ 0.62</b>	<b>\$ 0.87</b>	<b>\$ 0.53</b>	<b>\$ 0.30</b>	<b>\$ (2.65)</b>	<b>\$ 0.41</b>
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)	
<b>Non-GAAP net income per share diluted (g)</b>	<b>\$ 1.30</b>	<b>\$ 1.06</b>	<b>\$ 0.80</b>	<b>\$ 0.68</b>	<b>\$ 0.42</b>	<b>\$ 0.41</b>
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
<b>ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP DILUTED NUMBER OF SHARES (i):</b>						
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

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- (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	
<b>GAAP gross profit</b>	\$ 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							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 &amp; NON-GAAP OPERATING PROFIT AS A PERCENTAGE OF REVENUE:

	Fiscal Year											
	2011		2010		2009		2008		2007		2006	
<b>GAAP operating profit</b>	\$ 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%

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- (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
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(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)
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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
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- (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



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- (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
<b>Gross Margin</b>	
Non-GAAP gross margin	70%
Stock-based compensation expense	(1%)
Amortization of acquired intangible assets	(1%)
<b>GAAP gross margin</b>	<b>68%</b>
<b>Diluted net income per share</b>	
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)
<b>GAAP diluted net income per share</b>	<b>\$ 0.89 - \$0.99</b>

- (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.