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STATESSECURITIES AND EXCHANGE COMMISSIONWashington, D.C. 20549FORM 10-Q â˜'Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934For the Quarterly Period Ended September 29, 2024 â˜Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934For the transition period fromÂ Â Â Â Â Â Â Â Â Â Â Â Â toÂ Â Â Â Â Â Â Â Â Â Â Â Â Â Commission File Number 001-35406Â Illumina, Inc. (Exact name of registrant as specified in its charter)Delaware33-0804655(State or other jurisdiction of incorporation or organization)(I.R.S. Employer Identification No.)5200 Illumina Way, San Diego, CA 92122 (Address of principal executive offices) (Zip code)(858) 202-4500 (Registrantâ€™s telephone number, including area code)N/A(Former name, former address and former fiscal year, if changed since last report)Securities registered pursuant to Section 12(b) of the Act:Title of each classTrading Symbol(s)Name of each exchange on which registeredCommon Stock, $0.01Â par valueILMNThe Nasdaq Stock Market LLCIndicate by check mark whether the registrant (1)Â has filed all reports required to be filed by SectionÂ 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2)Â has been subject to such filing requirements for the past 90 days.Â Â Â Â YesÂ Â â˜'Â Â Â Â NoÂ Â â˜Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).Â Â Â Â YesÂ Â â˜'Â Â Â Â NoÂ Â â˜Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting company,â€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act.Large accelerated filerÃ¾AcceleratedÂ filerâ˜Non-accelerated filerâ˜SmallerÂ reportingÂ companyâ˜Emerging growth companyâ˜If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13a of the Exchange Act. â˜Â Â Â Â Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Â Â Â Â YesÂ Â â˜Â Â Â Â NoÂ Â Ã¾As of NovemberÂ 1, 2024, there were 158.6 million shares of the registrantâ€™s common stock outstanding.Table of ContentsILLUMINA, INC.FORM 10-QFOR THE FISCAL QUARTER ENDED SEPTEMBERÂ 29, 2024 TABLE OF CONTENTSSee â€œForm 10-Q Cross-Reference Indexâ€ within Other Key Information for a cross-reference to the parts and items requirements of the Securities and Exchange Commission Quarterly Report on Form 10-Q.2Table of ContentsConsideration Regarding Forward-Looking StatementsThis Quarterly Report on Form 10-Q contains, and our officers and representatives may from time to time make, â€œforward-looking statementsâ€ within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995.Â Words such as: â€œanticipate,â€ â€œintend,â€ â€œplan,â€ â€œgoal,â€ â€œseek,â€ â€œbelieve,â€ â€œcontinue,â€ â€œproject,â€ â€œestimate,â€ â€œexpect,â€ â€œstrategy,â€ â€œfuture,â€ â€œlikely,â€ â€œmay,â€ â€œpotential,â€ â€œpredict,â€ â€œshould,â€ â€œwill,â€ or similar words or phrases, or the negatives of these words, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward looking.Â Examples of forward-looking statements include, among others, statements we make regarding:â€¢our expectations as to our future financial performance, results of operations, or other operational results or metrics;â€¢the benefits that we expect will result from our business activities and certain transactions we have completed, or may complete, such as product introductions, increased revenue, decreased expenses, and avoided expenses and expenditures; â€¢our expectations of the effect on our financial condition of claims, litigation, contingent liabilities, and governmental investigations, proceedings, and regulations; â€¢our strategies or expectations for product development, market position, financial results, and reserves;â€¢our ability to successfully implement cost reduction plans in a timely manner and the possibility that costs associated with our cost reduction plans are greater than we anticipate;â€¢risks relating to the recent divestiture of GRAIL, Inc. (f/k/a GRAIL, LLC) (GRAIL); andâ€¢other expectations, beliefs, plans, strategies, anticipated developments, and other matters that are not historical facts.Forward-looking statements are neither historical facts nor assurances of future performance.Â Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy, and other future conditions.Â Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict and many of which are outside of our control.Â Our actual results and financial condition may differ materially from those indicated in the forward-looking statements.Â Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:â€¢our expectations and beliefs regarding prospects and growth for our business and the markets in which we operate;â€¢the timing and mix of customer orders among our products and services;â€¢challenges inherent in developing, manufacturing, and launching new products and services, including expanding manufacturing operations and reliance on third-party suppliers for critical components;â€¢the impact of recently launched or pre-announced products and services on existing products and services;â€¢risks and uncertainties regarding legal and regulatory proceedings;â€¢risks associated with contracts or other agreements containing provisions that might be implicated by the divestiture of GRAIL, including our ability to fully realize the anticipated economic benefits of our commercial arrangements with GRAIL and our obligations with respect to contingent value rights (the CVRs) issued by us in connection with the GRAIL acquisition, which may adversely affect us and our business and/or the market value of the CVRs; â€¢the risk of additional litigation arising against us in connection with the GRAIL acquisition;â€¢the assumptions underlying our critical accounting policies and estimates;3Table of Contentsâ€¢our assessments and estimates that determine our effective tax rate;â€¢our assessments and beliefs regarding the outcome of pending legal proceedings and any liability that we may incur as a result of those proceedings, as well as the cost and potential diversion of management resources associated with these proceedings;â€¢uncertainty, or adverse economic and business conditions, including as a result of slowing or uncertain economic growth, public health crisis, or armed conflict; andâ€¢other factors detailed in our filings with the Securities and Exchange Commission (SEC), including the risks, uncertainties, and assumptions described in â€œRisk Factorsâ€ within the Business & Market Information section of our Annual Report on Form 10-K for the fiscal year ended DecemberÂ 31, 2023, the â€œOther Key Informationâ€ section of our Quarterly Report on Form 10-Q for the period ended MarchÂ 31, 2024, and on Form 10-Q for the period ended JuneÂ 30, 2024, the â€œRisk Factorsâ€ section below, or in information disclosed in public conference calls, the date and time of which are released beforehand.Any forward-looking statement made by us in this Quarterly Report on Form 10-Q is based only on information currently available to us and speaks only as of the date on which it is made.Â We undertake no obligation, and do not intend, to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, or to review or confirm analystsâ€™ expectations, or to provide interim reports or updates on the progress of any current financial quarter, in each case whether as a result of new information, future developments, or otherwise.4Table of ContentsCONDENSED CONSOLIDATED FINANCIAL STATEMENTSILLUMINA, INC.CONDENSED CONSOLIDATED BALANCE SHEETS(In millions)September 29,2024December 31,2023Â (Unaudited)Â ASSETSCurrent assets:Cash and cash equivalents$869Â $1,048Â Short-term investments70Â 6Â Accounts receivable, net699Â 734Â Inventory, net574Â 587Â Prepaid expenses and other current assets161Â 234Â Total current assets2,373Â 2,609Â Property and equipment, net832Â 1,007Â Operating lease right-of-use assets453Â 544Â Goodwill1,113Â 2,545Â Intangible assets, net305Â 2,993Â Deferred tax assets, net617Â 56Â Other assets321Â 357Â Total assets$6,014Â $10,111Â LIABILITIES AND STOCKHOLDERSâ€™ EQUITYCurrent liabilities:Accounts payable$191Â $245Â Accrued liabilities784Â 1,325Â Total current liabilities975Â 1,570Â Operating lease liabilities613Â 687Â Term debt1,988Â 1,489Â Other long-term liabilities313Â 620Â Stockholdersâ€™ equity:Common stock2Â 2Â Additional paid-in capital7,449Â 9,555Â Accumulated other comprehensive loss(5)(1)Accumulated deficit(1,428)(19)Treasury stock, at cost(3,893)(3,792)Total stockholdersâ€™ equity2,125Â 5,745Â Total liabilities and stockholdersâ€™ equity$6,014Â $10,111Â See accompanying notes to condensed consolidated financial statements.5Table of ContentsILLUMINA, INC.CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS(Unaudited)(In millions, except per share amounts)Â Â Three Months EndedNine Months EndedÂ September 29,2024October 1,2023September 29,2024October 1,2023Revenue:Product revenue$914Â $941Â $2,718Â $2,864Â Service and other revenue166Â 178Â 550Â 518Â Total revenue1,080Â 1,119Â 3,268Â 3,382Â Cost of revenue:Cost of product revenue235Â 293Â 739Â 884Â Cost of service and other revenue84Â 95Â 286Â 285Â Amortization of acquired intangible assets16Â 47Â 110Â 143Â Total cost of revenue335Â 435Â 1,135Â 1,312Â Gross profit745Â 684Â 2,133Â 2,070Â Operating expense:Research and development253Â 315Â 913Â 1,013Â Selling, general and administrative239Â 303Â 813Â 1,127Â Goodwill and intangible impairmentâ€”Â 821Â 1,889Â 821Â Legal contingency and settlement(488)(1)(474)14Â Total operating expense4Â 1,438Â 3,141Â 2,975Â Income (loss) from operations741Â (754)(1,008)(905)Other income (expense):Interest income11Â 13Â 36Â 47Â Interest expense(36)(19)(75)(59)Other income (expense), net4Â (22)(319)(33)Total other expense, net(21)(28)(358)(45)Income (loss) before income taxes720Â (782)(1,366)(950)Provision (benefit) for income taxes15Â (28)44Â 36Â Net income (loss)$705Â (754)(1,410)$(986)Earnings (loss) per share:Basic$4.43Â (4.77)(8.86)$(6.23)Diluted$4.42Â (4.77)(8.86)$(6.23)Shares used in computing earnings (loss) per share:Basic 159Â 158Â 159Â 158Â Diluted160Â 158Â 159Â 158Â See accompanying notes to condensed consolidated financial statements.6Table of ContentsILLUMINA, INC.CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)(In millions)Â Â Three Months EndedNine Months EndedÂ September 29,2024October 1,2023September 29,2024October 1,2023Net income (loss)$705Â (754)(1,410)$(986)Unrealized (loss) gain on cash flow hedges, net of deferred tax(19)9Â (4)18Â Total comprehensive income (loss)$686Â (745)(1,414)$(968)See accompanying notes to condensed consolidated financial statements.7Table of ContentsILLUMINA, INC.CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERSâ€™ EQUITY(Unaudited)(In millions)AccumulatedRetainedAdditionalOtherEarningsTotalÂ Common StockPaid-InComprehensive(Accumulated)Treasury StockStockholdersâ€™Â SharesAmountCapitalIncome (Loss)Deficit)SharesAmountEquityBalance as of January 1, 2023198Â $2Â $9,207Â $3Â $1,142Â (40)$(3,755)$6,599Â Net incomeâ€”Â â€”Â â€”Â â€”Â 3Â â€”Â â€”Â 3Â Unrealized loss on cash flow hedges, net of deferred taxâ€”Â â€”Â â€”Â (4)â€”Â â€”Â â€”Â (4)Issuance of common stock, net of repurchasesâ€”Â â€”Â 37Â â€”Â â€”Â â€”Â (9)28Â Share-based compensationâ€”Â â€”Â 67Â â€”Â â€”Â â€”Â â€”Â 67Â Balance as of April 2, 2023198Â 2Â 9,311Â (1)1,145Â (40)(3,764)6,693Â Net lossâ€”Â â€”Â â€”Â â€”Â (234)â€”Â â€”Â (234)Unrealized gain on cash flow hedges, net of deferred taxâ€”Â â€”Â â€”Â 13Â â€”Â â€”Â â€”Â 13Â Issuance of common stock, net of repurchasesâ€”Â â€”Â â€”Â â€”Â â€”Â â€”Â (3)(3)Share-based compensationâ€”Â â€”Â 77Â â€”Â â€”Â â€”Â â€”Â 77Â Reclassification of liability-classified awardsâ€”Â â€”Â 9Â â€”Â â€”Â â€”Â â€”Â 9Â Balance as of July 2, 2023198Â 2Â 9,397Â 12Â 911Â (40)(3,767)6,555Â Net lossâ€”Â â€”Â â€”Â â€”Â (754)â€”Â â€”Â (754)Unrealized gain on cash flow hedges, net of deferred taxâ€”Â â€”Â â€”Â 9Â â€”Â â€”Â â€”Â 9Â Issuance of common stock, net of repurchasesâ€”Â â€”Â 30Â â€”Â â€”Â â€”Â (2)28Â Share-based compensationâ€”Â â€”Â 60Â â€”Â â€”Â â€”Â â€”Â 60Â Balance as of October 1, 2023198Â 2Â 9,487Â 21Â 157Â (40)(3,769)5,898Â Net lossâ€”Â â€”Â â€”Â â€”Â (176)â€”Â â€”Â (176)Unrealized loss on cash flow hedges, net of deferred taxâ€”Â â€”Â â€”Â (22)â€”Â â€”Â â€”Â (22)Issuance of common stock, net of repurchases1Â â€”Â (3)â€”Â â€”Â â€”Â (23)(26)Share-based compensationâ€”Â â€”Â 71Â â€”Â â€”Â â€”Â â€”Â 71Â Balance as of December 31, 2023199Â $2Â $9,555Â (1)(19)(40)$(3,792)$5,745Â See accompanying notes to condensed consolidated financial statements.8Table of ContentsILLUMINA, INC.CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERSâ€™ EQUITY(Unaudited)(In millions)AdditionalAccumulated OtherTotalÂ Common StockPaid-InComprehensiveAccumulatedTreasury StockStockholdersâ€™Â SharesAmountCapital(Loss) IncomeDeficitSharesAmountEquityBalance as of December 31, 2023199Â $2Â $9,555Â (1)(19)(40)$(3,792)$5,745Â Net lossâ€”Â â€”Â â€”Â â€”Â (126)â€”Â â€”Â (126)Unrealized gain on cash flow hedges, net of deferred taxâ€”Â â€”Â â€”Â 13Â â€”Â â€”Â â€”Â 13Â Issuance of common stock, net of repurchasesâ€”Â â€”Â 36Â â€”Â â€”Â â€”Â (1)35Â Share-based compensationâ€”Â â€”Â 67Â â€”Â â€”Â â€”Â â€”Â 67Â Balance as of March 31, 2024199Â 2Â 9,658Â 12Â (145)(40)(3,793)5,734Â Net lossâ€”Â â€”Â â€”Â â€”Â (1,988)â€”Â â€”Â (1,988)Unrealized gain on cash flow hedges, net of deferred taxâ€”Â â€”Â â€”Â 2Â â€”Â â€”Â â€”Â 2Â Issuance of common stock, net of repurchasesâ€”Â â€”Â â€”Â â€”Â â€”Â â€”Â (1)(1)Share-based compensationâ€”Â â€”Â 88Â â€”Â â€”Â â€”Â â€”Â 88Â Spin-Off of GRAIL (see Note 2)â€”Â â€”Â (2,399)â€”Â â€”Â â€”Â â€”Â (2,399)Balance as of June 30, 2024199Â 2Â 7,347Â 14Â (2,133)(40)(3,794)1,436Â Net incomeâ€”Â â€”Â â€”Â â€”Â 705Â â€”Â â€”Â 705Â Unrealized loss on cash flow hedges, net of deferred taxâ€”Â â€”Â â€”Â (19)â€”Â â€”Â â€”Â (19)Issuance of common stock, net of repurchasesâ€”Â â€”Â 19Â â€”Â â€”Â (1)(99)(80)Share-based compensationâ€”Â â€”Â 83Â â€”Â â€”Â â€”Â â€”Â 83Â Balance as of September 29, 2024199Â $2Â $7,449Â (5)(1,428)(41)$(3,893)$2,125Â See accompanying notes to condensed consolidated financial statements.9Table of ContentsILLUMINA, INC.CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS(Unaudited)(In millions)Â Nine Months EndedÂ September 29,2024October 1,2023Cash flows from operating activities:Net loss$(1,410)$(986)Adjustments to reconcile net loss to net cash provided by operating activities:Depreciation expense170Â 175Â Amortization of intangible assets113Â 148Â Share-based compensation expense291Â 286Â Deferred income taxes(161)(42)Goodwill and intangible (IPR&D) impairment1,889Â 821Â Property and equipment and right-of-use asset impairment32Â 56Â Net losses on strategic investments342Â 39Â Gain on Helix contingent value right(15)(8)Change in fair value of contingent consideration liabilities(304)(82)Other11Â 15Â Changes in operating assets and liabilities:Accounts receivable20Â (31)Inventory(9)(47)Prepaid expenses and other current assets(11)(3)Operating lease right-of-use assets and liabilities, net(21)(13)Other assets(14)6Â Accounts payable(35)(50)Accrued liabilities(406)(25)Other long-term liabilities(9)(5)Net cash provided by operating activities473Â 254Â Cash flows from investing activities:Purchases of property and equipment(99)(144)Net purchases of strategic investments(33)(1)Cash received for Helix contingent value right83Â â€”Â Cash paid for acquisitions and intangible assets, net of cash acquired(81)(1)Net cash used in investing activities(130)(146)Cash flows from financing activities:GRAIL cash deconsolidated as a result of spin-off(968)â€”Â Proceeds from debt, net of issuance costs1,241Â (1)Payments on debt obligations(750)(1,235)Payments on contingent consideration liabilities(1)â€”Â Common stock repurchases(99)â€”Â Taxes paid related to net share settlement of equity awards(2)(14)Proceeds from issuance of common stock56Â 67Â Net cash used in financing activities(523)(1,183)Effect of exchange rate changes on cash and cash equivalents1Â (9)Net decrease in cash and cash equivalents(179)(1,084)Cash and cash equivalents at beginning of period1,048Â 2,011Â Cash and cash equivalents at end of period$869Â $927Â Supplemental cash flow information:GRAIL net assets, excluding cash and cash equivalents, deconsolidated as a result of spin-off$1,770Â $â€”Â Â Â Â Â See accompanying notes to condensed consolidated financial statements.10Table of ContentsILLUMINA, INC.NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(UNAUDITED)Unless the context requires otherwise, references in this report to â€œIllumina,â€ the â€œCompany,â€ â€œwe,â€ â€œus,â€ and â€œourâ€ refer to Illumina, Inc. and its consolidated subsidiaries.1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIESBusiness OverviewWe are a provider of sequencing- and array-based solutions for genetic and genomic analysis, serving customers in the research, clinical and applied markets. Our products are used for applications in the life sciences, oncology, reproductive health, agriculture and other emerging segments. Our customers include leading genomic research centers, academic institutions, government laboratories, and hospitals, as well as pharmaceutical, biotechnology, commercial molecular diagnostic laboratories, and consumer genomics companies.On June 24, 2024, we completed the separation (the Spin-Off) of GRAIL into a new public company through the distribution of 26,547,021 shares of GRAIL common stock to Illumina stockholders on a pro rata basis. The distribution reflected approximately 85.5% of the outstanding common stock of GRAIL as of 5:00 p.m. New York time on June 13, 2024, the record date for the distribution (the Record Date). We retained approximately 14.5% of the shares of GRAIL common stock immediately following the Spin-Off. The disposition of GRAIL did not meet the criteria to be reported as a discontinued operation and accordingly, GRAILâ€™s assets, liabilities, results of operations and cash flows have not been reclassified. Refer to note 2. GRAIL Spin-Off for additional details. Basis of PresentationThe accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Interim financial results are not necessarily indicative of results anticipated for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Annual Report on Form 10-K for the fiscal year ended DecemberÂ 31, 2023, from which the prior year balance sheet information herein was derived. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expense, and related disclosure of contingent assets and liabilities. Though macroeconomic factors such as inflation, exchange rate fluctuations and concerns about an economic downturn present additional uncertainty, we continue to use the best information available to form our critical accounting estimates. Actual results could differ from those estimates.The unaudited condensed consolidated financial statements include our accounts, our wholly-owned subsidiaries, and majority-owned or controlled companies. All intercompany transactions and balances have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the current period presentation. In managementâ€™s opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the results for the interim periods presented.Fiscal YearOur fiscal year is the 52 or 53 weeks ending the Sunday closest to DecemberÂ 31, with quarters of 13 or 14 weeks ending the Sunday closest to MarchÂ 31,Â JuneÂ 30,Â SeptemberÂ 30, and DecemberÂ 31. References to Q3 2024 and Q3 2023 refer to the three months ended SeptemberÂ 29, 2024 and OctoberÂ 1, 2023, respectively, which were both 13 weeks, and references to year-to-date (YTD) 2024 and 2023 refer to the nine months ended SeptemberÂ 29, 2024 and OctoberÂ 1, 2023, respectively, which were both 39 weeks.11Table of ContentsSignificant Accounting Policies During YTD 2024, there were no changes to our significant accounting policies as described in our Annual Report on Form 10-K for the fiscal year ended DecemberÂ 31, 2023.Accounting Pronouncements Pending Adoption In December 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures. The new standard requires a company to disclose incremental segment information on an annual and interim basis, including significant segment expenses and measures of profit or loss that are regularly provided to the chief operating decision maker (CODM). The standard is effective for us beginning in fiscal year 2024 and interim periods within fiscal year 2025, with early adoption permitted. We do not expect to early adopt the new standard. We are currently evaluating the impact of ASU 2023-07 on the consolidated financial statements and related disclosures and will adopt the new standard using a retrospective approach.In December 2023, the FASB also issued ASU 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures. The new standard requires a company to expand its existing income tax disclosures, specifically related to the rate reconciliation and income taxes paid. The standard is effective for us beginning in fiscal year 2025, with early adoption permitted. We do not expect to early adopt the new standard. The new standard is expected to be applied prospectively, but retrospective application is permitted. We are currently evaluating the impact of ASU 2023-09 on the consolidated financial statements and related disclosures.Earnings (Loss) per ShareBasic earnings (loss) per share is computed based on the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed based on the sum of the weighted average number of common shares and potentially dilutive common shares outstanding during the period. In loss periods, basic and diluted loss per share are identical since the effect of potentially dilutive common shares is antidilutive and therefore excluded. Potentially dilutive common shares from equity awards are determined using the average share price for each period under the treasury stock method. In addition, proceeds from exercise of equity awards and the average amount of unrecognized compensation expense for equity awards are assumed to be used to repurchase shares. The weighted average shares used to calculate basic and diluted earnings (loss) per share were as follows:In millionsQ3 2024Q3 2023YTD 2024YTD 2023Weighted average shares outstanding159Â 158Â 159Â 158Â Effect of potentially dilutive common shares from:Equity awards1Â â€”Â â€”Â â€”Â Weighted average shares used in calculating diluted earnings (loss) per share160Â 158Â 159Â 158Â Antidilutive shares:Equity awards2Â 3Â 4Â 3Â Convertible senior notesâ€”Â 1Â â€”Â 1Â Potentially dilutive shares excluded from calculation due to antidilutive effect2Â 4Â 4Â 4Â 12Table of Contents2. GRAIL SPIN-OFFOn June 24, 2024, we completed the Spin-Off of GRAIL into a separate, independent publicly traded company through the distribution of 26,547,021 shares of GRAIL common stock to Illumina stockholders on a pro rata basis. The GRAIL common stock distributed in the Spin-Off consisted of approximately 85.5% of the outstanding common stock of GRAIL as of the Record Date. The Spin-Off was structured as a tax-free spin-off and Illumina stockholders received one share of GRAIL common stock for every six shares of Illumina common stock held on the Record Date. We retained approximately 14.5% of the shares of GRAIL common stock immediately following the Spin-Off. The disposition of GRAIL did not meet the criteria to be reported as a discontinued operation and accordingly, GRAILâ€™s assets, liabilities, results of operations and cash flows have not been reclassified. As part of the Spin-Off, we contributed to GRAIL an amount, in cash, to cover 2.5 years of GRAILâ€™s operations (the Disposal Funding), which was determined to be $974Â million, less the cash and cash equivalents held by GRAIL.The carrying amounts of GRAILâ€™s assets and liabilities included as part of the disposal group were as follows:In millionsCash and cash equivalents$968Â Accounts receivable, net13Â Inventory, net22Â Prepaid expenses and other current assets27Â Property and equipment, net80Â Operating lease right-of-use assets74Â Intangible assets, net2,201Â Other assets14Â Accounts payable(12)Accrued liabilities (118)Operating lease liabilities(62)Other long term-liabilities(469)GRAIL net assets$2,738Â Amount of GRAIL net assets recorded to short-term investments$397Â Amount of GRAIL net assets recorded to additional paid-in capital$2,341Â Additional adjustments recorded to additional paid-in capital as a result of the GRAIL Spin-Off:Non-contingent indemnification liability (see Note 6)1Â Tax adjustment for difference between the book and tax values of our retained investment in GRAIL57Â Total recorded to additional paid-in capital as a result of the GRAIL Spin-Off$2,399Â See note 10. Segment Information for GRAILâ€™s results of operations, prior to the Spin-Off, included in our condensed consolidated statements of operations for the periods presented within.In planning for and executing the Spin-Off, we incurred $53Â million in separation-related transaction costs during YTD 2024, which were recognized in selling, general, and administrative expense. These transaction costs primarily related to financial advisory, legal, regulatory and other professional services fees directly related to the Spin-Off. In connection with the Spin-Off, Illumina and GRAIL entered into various agreements to effect the Spin-Off and provide a framework for GRAILâ€™s relationship with Illumina after the Spin-Off, including a separation and distribution agreement, an employee matters agreement, a tax matters agreement, an amended supply and commercialization agreement and a stockholderâ€™s and registration rights agreement (the Agreements). The Agreements determine the treatment of the assets, employees, liabilities and obligations (including certain tax-related assets and liabilities) of Illumina attributable to periods prior to, at and after GRAILâ€™s separation and also govern certain relationships between Illumina and GRAIL after the Spin-Off.13Table of Contents3. REVENUEOur revenue is generated from the sale of products and services. Product revenue consists of sales of instruments and consumables used in genetic analysis. Service and other revenue consists of revenue generated from genotyping and sequencing services, instrument service contracts, development and licensing agreements, and, prior to the Spin-Off of GRAIL on June 24, 2024, cancer detection testing services related to the GRAIL business.Revenue by SourceQ3 2024Q3 2023In millionsSequencingMicroarrayTotalSequencingMicroarrayTotalConsumables$741Â $66Â $807Â $689Â $71Â $760Â Instruments104Â 3Â 107Â 178Â 3Â 181Â Total product revenue845Â 69Â 914Â 867Â 74Â 941Â Service and other revenue150Â 16Â 166Â 162Â 16Â 178Â Total revenue$995Â $85Â $1,080Â $1,029Â $90Â $1,119Â YTD 2024YTD 2023In millionsSequencingMicroarrayTotalSequencingMicroarrayTotalConsumables$2,160Â $216Â $2,376Â $2,108Â $219Â $2,327Â Instruments330Â 12Â 342Â 524Â 13Â 537Â Total product revenue2,490Â 228Â 2,718Â 2,632Â 232Â 2,864Â Service and other revenue499Â 51Â 550Â 456Â 62Â 518Â Total revenue$2,989Â $279Â $3,268Â $3,088Â $294Â $3,382Â Revenue by Geographic AreaBased on region of destination (in millions)Q3 2024Q3 2023YTD 2024YTD 2023Americas$609Â $663Â $1,852Â $1,920Â Europe291Â 260Â 859Â 825Â Greater China (1)75Â 98Â 228Â 302Â Asia-Pacific, Middle East, and Africa (2)105Â 98Â 329Â 335Â Total revenue$1,080Â $1,119Â $3,268Â $3,382Â _______________(1)Region includes revenue from China, Taiwan, and Hong Kong.(2)Region includes revenue from Russia and Turkey.Performance ObligationsWe regularly enter into contracts with multiple performance obligations. These contracts are believed to be firm as of the balance sheet date. However, we may allow customers to make product substitutions as we launch new products. The timing of shipments depends on several factors, including agreed upon shipping schedules, which may span multiple quarters. Most performance obligations are generally satisfied within a short time frame, approximately three to six months, after the contract execution date. As of SeptemberÂ 29, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was $688 million, of which approximately 82% is expected to be converted to revenue in the next twelve months, approximately 13% in the following twelve months, and the remainder thereafter.Contract Assets and LiabilitiesContract assets, which consist of revenue recognized and performance obligations satisfied or partially satisfied in advance of customer billing, were $16 million and $18 million as of SeptemberÂ 29, 2024 and DecemberÂ 31, 2023, respectively, and were recorded in prepaid expenses and other current assets.14Table of ContentsContract liabilities, which consist of deferred revenue and customer deposits, as of SeptemberÂ 29, 2024 and DecemberÂ 31, 2023, were $293 million and $329 million, respectively, of which $235 million and $252 million, respectively, was short-term and recorded in accrued liabilities and the remaining long-term portions were recorded in other long-term liabilities. Revenue recorded in Q3 2024 and YTD 2024 included $48 million and $213 million, respectively, of previously deferred revenue that was included in contract liabilities as of DecemberÂ 31, 2023.4. INVESTMENTS AND FAIR VALUE MEASUREMENTSStrategic InvestmentsMarketable Equity SecuritiesOur short-term investments consist of marketable equity securities. As of SeptemberÂ 29, 2024 and DecemberÂ 31, 2023, the fair value of our marketable equity securities totaled $70 million and $6 million, respectively. The increase in our marketable equity securities relates to the investment we retained in GRAIL subsequent to the Spin-Off, which was initially recorded as $397 million, representing 14.5% of GRAILâ€™s net assets disposed of at Spin-Off. Refer to note 2. GRAIL Spin-Off for details. We recorded an unrealized loss of $332 million in YTD 2024, subsequent to the Spin-Off, based on the fair value of our investment in GRAIL as of SeptemberÂ 29, 2024. Gains and (losses) recognized in other income (expense), net on marketable equity securities were as follows:In millionsQ3 2024Q3 2023YTD 2024YTD 2023Net losses recognized during the period on marketable equity securities(4)â€”Â (333)(2)Less: Net losses recognized during the period on marketable equity securities sold during the periodâ€”Â â€”Â (2)Net unrealized losses recognized during the period on marketable equity securities still held at the reporting date(4)â€”Â (333)â€”Â Non-Marketable Equity SecuritiesAs of SeptemberÂ 29, 2024 and DecemberÂ 31, 2023, the aggregate carrying amount of non-marketable equity securities, without readily determinable fair values, included in other assets, was $27 million and $28 million, respectively.Venture FundsWe invest in three venture capital investment funds (the Funds), which are accounted for as equity-method investments. The aggregate carrying amount of the Funds, included in other assets, was $191 million and $168 million as of SeptemberÂ 29, 2024 and DecemberÂ 31, 2023, respectively. We recorded losses of $6 million and $3 million in Q3 2024 and YTD 2024, respectively, and losses of $19 million and $33 million in Q3 2023 and YTD 2023, respectively, in other income (expense), net. Our commitments to the Funds are as follows:$ in millionsCapital commitmentsCallable through dateRemaining callable as of SeptemberÂ 29, 2024(1)Fund I$100Â April 2026$3Â Fund II$150Â July 2029$49Â Fund III$60Â December 2034$47Â _____________(1)Fund I also had recallable distributions of approximately $10Â million.Revenue recognized from transactions with our strategic investees was $7 million and $13 million for Q3 2024 and YTD 2024, respectively, and $2 million and $68 million for Q3 2023 and YTD 2023, respectively.15Table of ContentsFair Value MeasurementsThe following table presents the hierarchy for assets and liabilities measured at fair value on a recurring basis:September 29, 2024December 31, 2023In millionsLevel 1Level 2Level 3TotalLevel 1Level 2Level 3TotalAssets:Money market funds (cash equivalents)$674Â $â€”Â $â€”Â $674Â $774Â $â€”Â $â€”Â $774Â Marketable equity securities70Â â€”Â â€”Â 70Â 6Â â€”Â â€”Â 6Â Helix contingent value rightâ€”Â â€”Â â€”Â â€”Â â€”Â â€”Â 68Â 68Â Deferred compensation plan assetsâ€”Â 70Â â€”Â 70Â â€”Â 61Â â€”Â 61Â Total assets measured at fair value$744Â $70Â $â€”Â $814Â $780Â $61Â $68Â $909Â Liabilities:Contingent consideration liabilities$â€”Â $â€”Â $84Â $84Â $â€”Â $â€”Â $387Â $387Â Deferred compensation plan liabilityâ€”Â 64Â â€”Â 64Â â€”Â 59Â â€”Â 59Â Total liabilities measured at fair value$â€”Â $64Â $84Â $148Â $â€”Â $59Â $387Â $446Â Our marketable equity securities are measured at fair value based on quoted trade prices in active markets. Our deferred compensation plan assets consist primarily of investments in life insurance contracts carried at cash surrender value, which reflects the net asset value of the underlying publicly traded mutual funds. We perform control procedures to corroborate the fair value of our holdings, including comparing valuations obtained from our investment service provider to valuations reported by our asset custodians, validating pricing sources and models, and reviewing key model inputs, if necessary.Helix Contingent Value RightIn conjunction with the deconsolidation of Helix Holdings I, LLC (Helix) in April 2019, we received a contingent value right with a 7-year term that entitled us to consideration dependent upon the outcome of Helixâ€™s future financing and/or liquidity events. We elected the fair value option to measure the contingent value right received from Helix. Changes in the estimated fair value are recognized in other income (expense), net. Historically, we estimated the fair value of the contingent value right using a Monte Carlo simulation. Estimates and assumptions used in the Monte Carlo simulation included probabilities related to the timing and outcome of future financing and/or liquidity events, assumptions regarding collectability and volatility, and an estimated equity value of Helix. These unobservable inputs represented a Level 3 measurement because they are supported by little or no market activity and reflect our own assumptions in measuring fair value. On July 31, 2024, we received cash of $83Â million to settle the contingent value right early. Changes in the Helix contingent value right during YTD 2024 were as follows:In millionsBalance as of December 31, 2023 (included in other assets)$68Â Change in estimated fair value15Â Cash received to settle(83)Balance as of September 29, 2024$â€”Â 16Table of ContentsContingent Consideration LiabilitiesWe reassess the fair value of contingent consideration related to acquisitions on a quarterly basis, with changes in the fair value, subsequent to the acquisition date, recognized in selling, general and administrative expense. The contingent value rights issued as part of the GRAIL acquisition entitle the holders to receive future cash payments on a quarterly basis (Covered Revenue Payments) representing a pro rata portion of certain GRAIL-related revenues (Covered Revenues) each year for a 12-year period (through August 2033). As defined in the Contingent Value Rights Agreement, this will reflect a 2.5% payment right to the first $1Â billion of revenue each year for 12 years. Revenue above $1Â billion each year will be subject to a 9% contingent payment right during this same period. Covered Revenues for the period Q4 2023 through Q2 2024 were $89Â million in aggregate and for the period Q4 2022 through Q2 2023 were $65Â million in aggregate, driven primarily by sales of GRAILâ€™s Galleri test. Covered Revenue Payments relating to such periods were $836,000 and $609,000 in YTD 2024 and YTD 2023, respectively. The fair value of our contingent consideration liability related to GRAIL was $82Â million and $387Â million as of SeptemberÂ 29, 2024 and DecemberÂ 31, 2023, respectively, of which $81Â million and $385Â million, respectively, was included in other long-term liabilities, with the remaining balances included in accrued liabilities. We use a Monte Carlo simulation to estimate the fair value of the GRAIL contingent consideration liability. Estimates and assumptions used in the Monte Carlo simulation include forecasted revenues for GRAIL, a revenue risk premium, a revenue volatility estimate, an operational leverage ratio and a counterparty credit spread. These unobservable inputs represent a Level 3 measurement because they are supported by little or no market activity and reflect our own assumptions in measuring fair value. Subsequent to the Spin-Off of GRAIL, we no longer have access to GRAIL managementâ€™s forecasts and therefore must rely on information made public by GRAILâ€™s management to estimate forecasted revenues through August 2033. In August 2024, GRAIL management publicly announced a corporate restructure, including a reduction in headcount and planned hires and a substantial decrease in certain R&D projects and investments. To estimate the liability as of SeptemberÂ 29, 2024, we selected a revenue risk premium of 18%, which was derived from reconciling our forecasted revenues for GRAIL to GRAILâ€™s market capitalization based on a 60-day trailing average. The significant decrease in the contingent consideration liability from DecemberÂ 31, 2023 was due to the decrease in the forecasted revenues, following revised revenue projections announced by GRAIL in May 2024 and the restructuring announcement in August 2024, and the increase in the revenue risk premium resulting from the lower market capitalization observed at or subsequent to the Spin-Off.The assumptions used in estimating the fair value of the contingent consideration liability related to GRAIL are inherently subject to uncertainty and we note that small changes in these assumptions could have a significant impact on the concluded value. For example, an increase or decrease of 20%, in each year, to the forecasted revenues would have resulted in an increase of $21Â million and a decrease of $20Â million, respectively, in the liability as of SeptemberÂ 29, 2024. Additionally, an increase or decrease of 250 basis points to the selected revenue risk premium would have resulted in a decrease of $15Â million and an increase of $16Â million, respectively. We expect certain levels of volatility in the GRAIL contingent consideration liability are possible in future quarters.Changes in the estimated fair value of our contingent consideration liabilities during YTD 2024 were as follows:In millionsBalance as of December 31, 2023$387Â Acquisition2Â Change in estimated fair value(304)Cash payments(1)Balance as of September 29, 2024$84Â 17Table of Contents5. DEBTSummary of Term Debt ObligationsIn millionsSeptember 29,2024December 31,2023Principal amount of 2025 Term Notes outstanding$500Â $500Â Principal amount of 2026 Term Notes outstanding500Â â€”Â Principal amount of 2027 Term Notes outstanding500Â 500Â Principal amount of 2031 Term Notes outstanding500Â 500Â Unamortized discounts and debt issuance costs(12)(11)Net carrying amount of term debt, non-current$1,988Â $1,489Â Fair value of term debt outstanding (Level 2)$1,966Â $1,440Â Interest expense, which included amortization of debt discounts and issuance costs, was $36Â million and $74Â million in Q3 2024 and YTD 2024, respectively, and $18Â million and $55Â million in Q3 2023 and YTD 2023, respectively.4.650% Term Notes due 2026 (2026 Term Notes)On September 9, 2024, we issued $500Â million aggregate principal amount of 2026 Term Notes. After deducting discounts and issuance costs, we received net proceeds of $497Â million, which were used to repay a portion of the outstanding debt under the Delayed Draw Credit Agreement. The 2026 Term Notes, which mature on September 9, 2026, accrue interest at a rate of 4.650% per annum, payable semi-annually on March 9 and September 9 of each year, beginning on March 9, 2025. We may redeem for cash all or any portion of the 2026 Term Notes, at our option, at any time prior to maturity at make-whole premium redemption prices as defined in the form of the notes.5.800% Term Notes due 2025 (2025 Term Notes) and 5.750% Term Notes due 2027 (2027 Term Notes)In December 2022, we issued $500Â million aggregate principal amount of 2025 Term Notes and $500Â million aggregate principal amount of 2027 Term Notes. The 2025 Notes, which mature on December 12, 2025, and the 2027 Notes, which mature on December 13, 2027, accrue interest at a rate of 5.800% and 5.750% per annum, respectively, payable semi-annually. Interest for the 2025 Notes is payable on June 12 and December 12 of each year and interest for the 2027 Notes is payable on June 13 and December 13 of each year, beginning in June 2023.We may redeem for cash all or any portion of the 2025 or 2027 Term Notes, at our option, at any time prior to maturity. Prior to November 12, 2025 for the 2025 Notes and prior to November 13, 2027 for the 2027 Notes, the notes are redeemable at make-whole premium redemption prices as defined in the applicable forms of note. After November 12, 2025 and November 13, 2027, respectively, the notes are redeemable at a redemption price equal to 100% of the principal to be redeemed, plus accrued and unpaid interest up to, but excluding, the redemption date. 2.550% Term Notes due 2031 (2031 Term Notes)In March 2021, we issued $500Â million aggregate principal amount of 2031 Term Notes. The notes mature on March 23, 2031 and accrue interest at a rate of 2.550% per annum, payable semi-annually on March 23 and September 23 of each year. We may redeem for cash all or any portion of the notes, at our option, at any time prior to maturity. Prior to December 23, 2030, the notes are redeemable at make-whole premium redemption prices as defined in the form of the notes. After December 23, 2030, the notes are redeemable at a redemption price equal to 100% of the principal to be redeemed, plus accrued and unpaid interest up to, but excluding, the redemption date.18Table of ContentsDelayed Draw Term Loan due 2025On June 17, 2024, we entered into a 364-day delayed draw credit agreement (the Delayed Draw Credit Agreement), which provided us with a senior unsecured term loan credit facility in an aggregate principal amount of up to $750Â million (the Delayed Draw Credit Facility). On June 20, 2024, we borrowed $750Â million on the credit facility in order to provide a portion of the Disposal Funding to GRAIL as part of the Spin-Off. The delayed draw term loan incurred interest at a rate of 6.7%. On September 9, 2024, we repaid the full principal outstanding on the Delayed Draw Credit Facility, including accrued interest, of $761Â million and terminated the Delayed Draw Credit Agreement. We recognized a loss on debt extinguishment of $5Â million in Q3 2024 related to the write-off of unamortized debt issuance costs, which was included in interest expense in the condensed consolidated statements of operations.Revolving Credit AgreementOn January 4, 2023, we entered into a credit agreement (the Revolving Credit Agreement), which provides us with a $750Â million senior unsecured five-year revolving credit facility, including a $40Â million sublimit for swingline borrowings and a $50Â million sublimit for letters of credit (the Revolving Credit Facility). Proceeds of the loans under the Revolving Credit Facility may be used to finance working capital needs and for general corporate purposes.The Revolving Credit Facility matures, and all amounts outstanding become due and payable in full, on January 4, 2028, subject to two one-year extensions at our option, the consent of the extending lenders and certain other conditions. We may prepay amounts borrowed and terminate commitments under the Revolving Credit Facility at any time without premium or penalty. As of SeptemberÂ 29, 2024, there were no borrowings or letters of credit outstanding under the credit facility, and we were in compliance with all financial and operating covenants.Loans under the Revolving Credit Facility will have a variable interest rate based on either the term secured overnight financing rate (SOFR) or the alternate base rate, plus an applicable rate that varies with our debt rating and, in the case of loans bearing interest based on term SOFR, a credit spread adjustment equal to 0.10% per annum. The Revolving Credit Agreement includes an option for us to elect to increase commitments under the credit facility or enter into one or more tranches of term loans in the aggregate principal amount of up to $250Â million, subject to consent of the lenders providing the additional commitments or loans and certain other conditions.The Revolving Credit Agreement contains financial and operating covenants. Pursuant to the Revolving Credit Agreement, we are required to maintain a ratio of total debt to adjusted annual earnings before interest, taxes, depreciation and amortization (EBITDA), calculated based on the four consecutive fiscal quarters ending with the most recent fiscal quarter, of not greater than 3.50 to 1.00 as of the end of each fiscal quarter. Upon the consummation of any Qualified Acquisition (as defined in the Revolving Credit Agreement) and us providing notice to the Administrative Agent, the ratio increases to 4.00 to 1.00 for the fiscal quarter in which the acquisition is consummated and the three consecutive fiscal quarters thereafter. The operating covenants include, among other things, limitations on (i) the incurrence of indebtedness by our subsidiaries, (ii) liens on our and our subsidiaries assets, and (iii) certain fundamental changes and the disposition of assets by us and our subsidiaries. The Credit Agreement contains other customary covenants, representations and warranties, and events of default.6. STOCKHOLDERS' EQUITY As of SeptemberÂ 29, 2024, approximately 5.4 millionÂ shares remained available for future grants under the Amended and Restated 2015 Stock and Incentive Compensation Plan (the 2015 Plan). In connection with the GRAIL Spin-Off, all unvested RSU and PSU were equitably adjusted pursuant to the plan to preserve their intrinsic value and the number of shares reserved for issuance under the 2015 Plan was increased by 160,000 shares.19Table of ContentsRestricted StockRestricted stock activity was as follows:Restricted Stock Units (RSU)Performance Stock Units(PSU)(1)Weighted-Average Grant Date Fair Value per ShareUnits in thousandsRSUPSUOutstanding at December 31, 20232,198Â â€”Â $236.32Â $â€”Â Awarded2,753Â 647Â $133.60Â $159.36Â Unvested adjustment for GRAIL Spin-Off107Â 12Â $â€”Â $â€”Â Vested(83)â€”Â $258.43Â $â€”Â Cancelled(352)(39)$201.11Â $167.68Â Outstanding at September 29, 20244,623Â 620Â $172.30Â $159.72Â _____________(1)We issue PSU for which the number of shares issuable is based on our performance relative to specified earnings per share targets (EPS PSU) and PSU with a market condition that vest based on the Companyâ€™s relative total shareholder return as compared to a peer group of companies (rTSR PSU). In Q1 2024, we began to issue PSU for which the number of shares issuable is based on our performance relative to specified operating margin targets (OM PSU). For EPS and OM PSU, the number of units reflect the estimated number of shares to be issued at the end of the performance period. For rTSR PSU, the number of units reflect the estimated number of shares to be issued based on performance as of the current reporting period. Awarded units are presented net of performance adjustments.Stock OptionsStock option activity was as follows:Units in thousandsOptionsWeighted-AverageExerciseÂ PricePerformance Options(1)Weighted-AverageExerciseÂ PriceOutstanding at December 31, 202335Â $330.25Â 16Â $87.74Â Cancelled(35)$330.25Â (16)$87.74Â Outstanding at September 29, 2024â€”Â $â€”Â â€”Â $â€”Â _____________(1)In connection with the GRAIL acquisition, we issued replacement performance stock options to GRAIL employees in 2021. In connection with the GRAIL Spin-Off, all outstanding performance stock options were assumed by GRAIL. Liability-Classified AwardsPrior to the GRAIL Spin-Off, we granted cash-based equity incentive awards to GRAIL employees, which were accounted for as liability-classified awards. In connection with the Spin-Off, these awards were assumed by GRAIL.Cash-based equity incentive award activity was as follows:In millionsOutstanding at December 31, 2023$292Â Granted67Â Vested and paid in cash(54)Cancelled(13)Change in fair value(9)Derecognition for GRAIL Spin-Off(1)(283)Outstanding at September 29, 2024$â€”Â _____________(1)The estimated liability immediately prior to the Spin-Off, recorded in accrued liabilities, was $53Â million, which was disposed of as part of GRAILâ€™s net assets. See note 2. GRAIL Spin-Off for additional details.We recognized share-based compensation expense on these cash-based equity incentive awards of $52Â million in YTD 2024, prior to the Spin-Off, and $26 million and $72 million in Q3 2023 and YTD 2023, respectively.20Table of ContentsIn connection with the acquisition of GRAIL, we assumed a performance-based award for which vesting was based on GRAILâ€™s future revenues and had an aggregate potential value of up to $78Â million. Prior to the GRAIL Spin-Off, it was not probable that the performance conditions associated with the award would be achieved and, therefore, no share-based compensation expense was recognized in the condensed consolidated statements of operations. In connection with the Spin-Off, this award was assumed by GRAIL. For a period of 2.5 years following the Spin-Off, we are obligated to indemnify GRAIL for cash payments that become earned and payable related to this award. The indemnification is accounted for in accordance with ASC 460. As of SeptemberÂ 29, 2024, we recognized a non-contingent liability of $1Â million for this indemnification, with a corresponding charge to additional paid-in capital. Employee Stock Purchase Plan (ESPP)The price at which common stock is purchased under the ESPP is equal to 85% of the fair market value of the common stock on the first day of the offering period or purchase date, whichever is lower. During YTD 2024, approximately 0.5 million shares were issued under the plan. As of SeptemberÂ 29, 2024, there were approximately 12.4 million shares available for issuance under the ESPP, which reflects an upward adjustment of approximately 0.5 million shares pursuant to the terms of the plan to account for the GRAIL Spin-Off.The assumptions used and the resulting estimate of weighted-average fair value per share for stock purchased under the ESPP during YTD 2024 were as follows:Risk-free interest rate4.35% - 5.54%Expected volatility41% - 49%Expected term0.5 - 1.1 yearExpected dividends0Â %Weighted-average grant-date fair value per share$37.24Â Share RepurchasesIn August 2024, our Board of Directors authorized a new share repurchase program, which cancels and supersedes all prior and available repurchase authorizations, to repurchase up to $1.5Â billion of our outstanding common stock. The repurchases may be completed through open market purchases, pursuant to Rule 10b5-1 or Rule 10b-18, or through an accelerated share repurchase program. Authorizations to repurchase up to $1.4 billion of our outstanding common stock remained available as of SeptemberÂ 29, 2024.Share repurchase activity during Q3 2024 was as follows:In millions, except shares in thousandsNumber of shares repurchased770Â Total cost of shares repurchased(1)$99Â _____________(1)Total cost of shares repurchased includes the 1% excise tax imposed as part of the Inflation Reduction Act of 2022, which is calculated based on share repurchases, net of certain share issuances, and was immaterial for Q3 2024.Share-Based CompensationShare-based compensation expense, which includes expense for both equity and liability-classified awards, reported in our condensed consolidated statements of operations was as follows:21Table of ContentsIn millionsQ3 2024Q3 2023YTD 2024YTD 2023Cost of product revenue$7Â $7Â $19Â $22Â Cost of service and other revenue1Â 2Â 5Â 5Â Research and development33Â 36Â 115Â 117Â Selling, general and administrative43Â 41Â 152Â 142Â Share-based compensation expense, before taxes84Â 86Â 291Â 286Â Related income tax benefits(18)(19)(66)(65)Share-based compensation expense, net of taxes$66Â $67Â $225Â $221Â As of SeptemberÂ 29, 2024, unrecognized compensation cost, related to restricted stock and ESPP shares issued to date, of $655 million was expected to be recognized over a weighted-average period of approximately 2.5 years.7. SUPPLEMENTAL BALANCE SHEET DETAILSAccounts ReceivableIn millionsSeptember 29,2024December 31,2023Trade accounts receivable, gross$710Â $741Â Allowance for credit losses(11)(7)Total accounts receivable, net$699Â $734Â InventoryIn millionsSeptember 29,2024December 31,2023Raw materials$238Â $276Â Work in process419Â 402Â Finished goods37Â 30Â Inventory, gross694Â 708Â Inventory reserve(120)(121)Total inventory, net$574Â $587Â Accrued LiabilitiesIn millionsSeptember 29,2024December 31,2023Legal contingencies(1)$1Â $484Â Contract liabilities, current portion235Â 252Â Accrued compensation expenses237Â 223Â Accrued taxes payable127Â 79Â Operating lease liabilities, current portion73Â 86Â Liability-classified equity incentive awardsâ€”Â 55Â Other, including warranties(2)111Â 146Â Total accrued liabilities$784Â $1,325Â _____________(1)See note 8. Legal Proceedings for additional details.(2)See table below for changes in the reserve for product warranties.22Table of ContentsChanges in the reserve for product warranties were as follows:In millionsQ3 2024Q3 2023YTD 2024YTD 2023Balance at beginning of period$17Â $20Â $21Â $18Â Additions charged to cost of product revenue8Â 10Â 30Â 30Â Repairs and replacements(9)(11)(35)(29)Balance at end of period$16Â $19Â $16Â $19Â We generally provide a one-year warranty on instruments. Additionally, we provide a warranty on consumables through the expiration date, which generally ranges from six to twelve months after the manufacture date. At the time revenue is recognized, an accrual is established for estimated warranty expenses based on historical experience as well as anticipated product performance. We periodically review the warranty reserve for adequacy and adjust the warranty accrual, if necessary, based on actual experience and estimated costs to be incurred. Warranty expense is recorded as a component of cost of product revenue.RestructuringIn Q2 2023, we implemented a cost reduction initiative that included workforce reductions, the consolidation of certain facilities and other actions to reduce expenses, all as part of a plan to realign operating expenses while maintaining focus on our innovation roadmap and sustainable long-term growth. In YTD 2024, we recorded restructuring charges primarily consisting of asset impairment charges related to our leased facilities. A summary of the pre-tax restructuring charges are as follows:In millionsQ3 2024Q3 2023YTD 2024YTD 2023Cumulative charges recorded since inceptionEmployee separation costs$6Â $7Â $13Â $33Â $61Â Asset impairment charges(1)â€”Â 49Â 32Â 56Â 132Â Other costsâ€”Â 2Â 1Â 2Â 5Â Total restructuring charges(2)$6Â $58Â $46Â $91Â $198Â _____________(1)For YTD 2024, charges primarily relate to impairment of right-of-use assets and leasehold improvements for our Foster City campus. For YTD 2023, charges primarily relate to impairment of right-of-use assets and leasehold improvements for our i3 campus.(2)For Q3 2024, $5Â million was recorded in SG&A expense and $1Â million in R&D expense. For YTD 2024, $43Â million was recorded in SG&A expense, $2Â million in R&D expense, and remainder in cost of revenue.For Q3 2023, $55Â million was recorded in SG&A expense, $2Â million in R&D expense, and remainder in cost of revenue. For YTD 2023, $74Â million was recorded in SG&A expense, $13Â million in R&D expense, and remainder in cost of revenue.We recorded right-of-use asset impairments of $18Â million in Q1 2024 related to our campus in Foster City, California and another property in San Diego, California. The impairments, which were recognized in selling, general and administrative expense, were determined by comparing the fair values of the impacted right-of-use assets to the carrying values of the assets as of the impairment measurement date. The fair values of the right-of-use assets were estimated using the discounted future cash flows method, which includes estimates and assumptions for future sublease rental rates that reflect current sublease market conditions, as well as discount rates. The estimates and assumptions used in our assessments represent Level 3 measurements because they are supported by little or no market activity and reflect our own assumptions in measuring fair value. We also recorded $14Â million of leasehold improvement impairments in Q1 2024, related to our Foster City campus, recognized in selling, general and administrative expense. We continue to evaluate our options with respect to the rest of our campus in Foster City, California and the other property in San Diego, California. As of SeptemberÂ 29, 2024, we had remaining assets, consisting primarily of right-of-use assets and leasehold improvements, related to our Foster City campus and the other property in San Diego, California of approximately $136Â million.23Table of ContentsA summary of the restructuring liability is as follows:In millionsEmployee Separation Costs(1)Other CostsTotalAmount recorded in accrued liabilities as of DecemberÂ 31, 2023$17Â $1Â $18Â Additional expense recorded13Â 1Â 14Â Cash payments(22)(2)(24)Adjustments to accrual(2)â€”Â (2)Amount recorded in accrued liabilities as of SeptemberÂ 29, 2024$6Â $â€”Â $6Â _____________(1)It is expected that substantially all of the employee separation related charges will be paid by the end of Q4 2024.Impairment of Goodwill and Intangible AssetsGoodwill is reviewed for impairment annually, during the second quarter of our fiscal year, or more frequently if an event occurs indicating the potential for impairment. In May 2024, we performed our annual goodwill impairment test for our two reporting units: Core Illumina and GRAIL. We performed a quantitative test for both reporting units. GRAILâ€™s carrying value exceeded its fair value, estimated as $580Â million, and we recorded a goodwill impairment of $1,466Â million in Q2 2024. There was no impairment for Core Illumina, as its fair value exceeded its carrying value.To determine the fair value of GRAIL as of May 2024, we utilized enterprise value estimates of GRAIL, as estimated by investment bankers for purposes of determining pricing for the Spin-Off. Estimates and assumptions used to derive the investment bankersâ€™ enterprise value estimates included estimated revenues for a two year period based on assumed growth rates and implied revenue multiples for comparable companies. These estimates and assumptions represent a Level 3 measurement as they are supported by little or no market activity and reflect our own assumptions in measuring fair value. An increase in estimated enterprise values for GRAIL of 100% would still have resulted in a full impairment of goodwill. In prior periods, we used a combination of both an income (discounted cash flows) and market approach to determine the fair value of GRAIL. The income approach utilized projected cash flows for GRAIL based on a long-range plan which contemplated FDA approval and estimated cash flows for a 15 year period. Based on this approach, in Q3 2023, we estimated the fair value of GRAIL to be $3.6Â billion, using a selected discount rate of 24.0%, and recorded a goodwill impairment of $712Â million. An increase of 50 to 100 basis points to the discount rate used in our assessment at that time would have resulted in additional goodwill impairment of $200Â million to $350Â million. Using this same approach in Q4 2023 suggested no further decrement in fair value. Initial analyst coverage of GRAIL from December 2023 into the spring of 2024 suggested that GRAIL could be valued between $3Â billion and $4Â billion. By May 2024, prior to the consummation of the GRAIL Spin-Off, additional information about GRAIL had become available in GRAILâ€™s amended Form 10 filings and a publicly available management presentation, which included updated disclosure about GRAILâ€™s business and anticipated near term financial trends. Prior to the consummation of the GRAIL Spin-Off, the amount of GRAILâ€™s Disposal Funding, $974Â million, was also disclosed. Analyst and banker valuation estimates then began to estimate fair values between $400Â million and $770Â million, consistent with the impairment recorded in Q2 2024. To determine the fair value of Core Illumina, we used a combination of both an income and market approach consistent with prior periods. The income approach utilized estimated discounted cash flows for the reporting unit, while the market approach utilized comparable company information. Estimates and assumptions used in the income approach included projected cash flows and a discount rate and represent a Level 3 measurement because they are supported by little or no market activity and reflect our own assumptions in measuring fair value.24Table of ContentsWe also evaluated GRAILâ€™s in-process research and development (IPR&D) asset for potential impairment, in May 2024, as part of our annual test. We further concluded the when-issued trading activity for GRAILâ€™s common stock, in June 2024, to be an additional triggering event that required an additional impairment test be performed. The carrying value of the IPR&D asset exceeded its estimated fair value and we recorded an impairment of $420Â million in Q2 2024. The fair value of GRAILâ€™s IPR&D was determined using an income approach, specifically a discounted cash flow model. Estimates and assumptions used in the income approach, which represent a Level 3 measurement, included projected cash flows and a discount rate of 46.5%. The discount rate was derived from reconciling GRAILâ€™s long-range plan, which contemplated FDA approval and estimated cash flows for a 15 year period, to observed market values of GRAIL based on the when-issued trading activity. An increase of 300 basis points to the discount rate used in our assessment would have resulted in additional impairment of $20Â million. There is substantial risk inherent in forecasting revenues and spend associated with research and development, including assumptions around the timing and level of resources and investment to be made, which were made more challenging in light of the Spin-Off and related Disposal Funding.We performed a recoverability test for GRAILâ€™s definite-lived intangible assets, which include developed technology and trade name, noting no impairment. No impairment was noted for Core Illumina definite-lived intangible assets.GoodwillChanges to goodwill during YTD 2024 were as follows:In millionsBalance as of December 31, 2023(1)$2,545Â Acquisition34Â Impairment (1,466)Balance as of September 29, 2024$1,113Â _____________(1)The balance as of DecemberÂ 31, 2023 includes accumulated impairment of $4,626Â million related to our GRAIL reporting unit.Intangible AssetsThe following is a summary of our identifiable intangible assets:Â September 29, 2024December 31, 2023In millionsGrossCarryingAmountAccumulatedAmortizationIntangible Assets,NetGrossCarryingAmountAccumulatedAmortizationImpairmentIntangible Assets,NetDeveloped technologies$465Â (296)169Â $2,807Â (585)â€”Â $2,222Â Licensed technologies227Â (107)120Â 274Â (133)â€”Â 141Â Trade name2Â (2)â€”Â 43Â (14)â€”Â 29Â Customer relationships16Â (14)2Â 14Â (13)â€”Â 1Â License agreements19Â (13)6Â 14Â (13)â€”Â 1Â Database12Â (4)8Â 12Â (3)â€”Â 9Â Total finite-lived intangible assets, net741Â (436)305Â 3,164Â (761)â€”Â 2,403Â In-process research and development (IPR&D)â€”Â â€”Â â€”Â 705Â â€”Â (115)590Â Total intangible assets, net$741Â (436)305Â $3,869Â (761)(115)$2,993Â The significant decrease in developed technologies, trade name, and IPR&D reflect the GRAIL intangible assets disposed of in connection with the Spin-Off. See note 2. GRAIL Spin-Off for more information. Additionally, in Q1 2024, we placed into service (reflected in developed technologies) the IPR&D asset we acquired in Q2 2021. 25Table of ContentsAs a result of the Fluent BioSciences acquisition in Q3 2024, we recorded a developed technology intangible of $42Â million, with a useful life of 7 years, and a customer relationship intangible of $2Â million, with a useful life of 11 years. We are still finalizing the allocation of the purchase price as it relates to the completion of certain tax returns. We expect to finalize the valuation as soon as practicable, but no later than one year after the acquisition.Amortization expense for Q3 2024 and YTD 2024 was $17Â million and $113Â million, respectively, and $49Â million and $148Â million in Q3 2023 and YTD 2023, respectively. The estimated future annual amortization of finite-lived intangible assets is shown in the following table. Actual amortization expense to be reported in future periods could differ from these estimates as a result of acquisitions, divestitures, and asset impairments, among other factors.In millionsEstimated Annual Amortization2024 (remainder of year)$17Â 202568Â 202656Â 202754Â 202852Â Thereafter58Â Total$305Â Derivative Financial InstrumentsWe are exposed to foreign exchange rate risks in the normal course of business and use derivative financial instruments to partially offset this exposure. We do not use derivative financial instruments for speculative or trading purposes. Foreign exchange contracts are carried at fair value in other current assets, other assets, accrued liabilities, or other long-term liabilities, as appropriate, on the condensed consolidated balance sheets.We use foreign exchange forward contracts to manage foreign currency risks related to monetary assets and liabilities denominated in currencies other than the U.S. dollar. These derivative financial instruments have terms of one month or less and are not designated as hedging instruments. Changes in fair value of these derivatives are recognized in other income (expense), net, along with the re-measurement gain or loss on the foreign currency denominated assets or liabilities. As of SeptemberÂ 29, 2024, we had foreign exchange forward contracts in place to hedge exposures in the euro, Japanese yen, Australian dollar, Canadian dollar, Singapore dollar, Chinese Yuan Renminbi, and British pound. As of SeptemberÂ 29, 2024 and DecemberÂ 31, 2023, the total notional amounts of outstanding forward contracts in place for these foreign currency purchases were $497 million and $926 million, respectively. In September 2024, as a result of the European Commission withdrawing its previously imposed fine, the related forward contracts we previously entered into for a total notional amount of â‚¬432Â million were terminated.We use foreign currency forward contracts to hedge portions of our foreign currency exposure associated with forecasted revenue transactions. These derivative financial instruments have terms up to 24 months and are designated as cash flow hedges. Changes in fair value of our cash flow hedges are recorded as a component of accumulated other comprehensive loss and are reclassified to revenue in the same period the underlying hedged transactions are recorded. We regularly review the effectiveness of our hedges and consider them to be ineffective if it becomes probable that the forecasted transactions will not occur in the identified period. Changes in fair value of the ineffective portions of our cash flow hedges, if any, are recognized in other income (expense), net. As of SeptemberÂ 29, 2024, we had foreign currency forward contracts in place to hedge exposures associated with forecasted revenue transactions denominated in the euro, Japanese yen, Australian dollar, Canadian dollar, and Chinese Yuan Renminbi. As of SeptemberÂ 29, 2024 and DecemberÂ 31, 2023, the total notional amounts of outstanding cash flow hedge contracts in place for these foreign currency purchases were $671 million and $628 million, respectively. We reclassified $3 million and $10 million to revenue in Q3 2024 and YTD 2024, respectively, and $5 million and $9 million to revenue in Q3 2023 and YTD 2023, respectively. As of SeptemberÂ 29, 2024, the fair value of foreign currency forward contracts recorded in total assets and total liabilities was $2Â million and $10Â million, respectively. As of DecemberÂ 31, 2023, the fair value of foreign currency forward contracts recorded in total assets and total liabilities was $5 million and $9 million, respectively.26Table of Contents8. LEGAL PROCEEDINGS We are involved in various lawsuits and claims arising in the ordinary course of business, including actions with respect to intellectual property, employment, and contractual matters. In connection with these matters, we assess, on a regular basis, the probability and range of possible loss based on the developments in these matters. A liability is recorded in the condensed consolidated financial statements if it is believed to be probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Because litigation is inherently unpredictable and unfavorable resolutions could occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review outstanding legal matters to determine the adequacy of the liabilities accrued and related disclosures in consideration of many factors, which include, but are not limited to, past history, scientific and other evidence, and the specifics and status of each matter. We may change our estimates if our assessment of the various factors changes and the amount of ultimate loss may differ from our estimates, resulting in a material effect on our business, financial condition, results of operations, and/or cash flows.Acquisition of GRAILAs of September 6, 2024, all previously disclosed regulatory proceedings in the United States and European Union related to our acquisition of GRAIL have been resolved (as further described below).On April 19, 2021, the European Commission sought and subsequently accepted a request for a referral of the GRAIL acquisition for European Union merger review, submitted by a Member State of the European Union (France), and joined by several other EEA Member States (Belgium, Greece, Iceland, the Netherlands and Norway), under Article 22(1) of Council Regulation (EC) No 139/2004 (the EU Merger Regulation). The European Commission had never solicited referrals to take jurisdiction over an acquisition of a U.S. company that had no revenue in Europe. On April 28, 2021, we filed an action in the General Court of the European Union (the EU General Court) asking for annulment of the European Commissionâ€™s assertion of jurisdiction to review the acquisition under Article 22 of the EU Merger Regulation, as the acquisition does not meet the jurisdictional criteria under the EU Merger Regulation or under the national merger control laws of any Member State of the European Union. On July 13, 2022, the EU General Court reached a decision in favor of the European Commission, holding that the European Commission has jurisdiction under the EU Merger Regulation to review the acquisition. On September 22, 2022, we filed an appeal in the Court of Justice of the European Union (the EU Court of Justice) asking for annulment of the EU General Courtâ€™s judgment. On December 17, 2023, we announced that we would divest GRAIL. On April 12, 2024, the European Commission issued a decision approving our divestment plan, which was submitted to the EC pursuant to its October 12, 2023 decision requiring Illumina to unwind its acquisition of GRAIL. On June 24, 2024, we completed the separation (the Spin-Off) of GRAIL into a separate, independent publicly traded company through the distribution of approximately 85.5% of the outstanding GRAIL common stock to Illumina stockholders on a pro rata basis.On September 3, 2024, the EU Court of Justice ruled in our favor, confirming that the European Commission had unlawfully asserted jurisdiction over our acquisition of GRAIL, and hence annulling the EU General Courtâ€™s judgment and the European Commissionâ€™s decisions accepting the referral of the GRAIL acquisition for EU merger review (the EU Court of Justice Judgment). The EU Court of Justice Judgment concludes these proceedings and is not subject to further appeals. In view of this judgment, on September 6, 2024, the European Commission issued a decision (the Withdrawal Decision) withdrawing all of its prior decisions, including (1) its July 22, 2021 decision opening an investigation of Illuminaâ€™s proposed acquisition of GRAIL, (2) its September 6, 2022 decision prohibiting Illuminaâ€™s acquisition of GRAIL, (3) its October 29, 2021 and October 28, 2022 decisions concerning interim measures, (4) its October 12, 2023 decision requiring Illumina to unwind its acquisition of GRAIL, and (5) its July 12, 2023 decision fining Illumina â‚¬432Â million and GRAIL for closing the acquisition before approval by the European Commission. The Withdrawal Decision resolves all ongoing regulatory proceedings in the European Union.As a result of the European Commission withdrawing its previously imposed fine, we recognized a net gain of $481Â million in Q3

2024. We recognized a gain of $489Â million in operating expense, resulting from reversal of the accrued fine and related accrued interest, offset by a loss of $8Â million, recognized in other income (expense), net, for the reversal of associated foreign currency fluctuations. The fine accrued interest at a rate of 5.5% per annum while it was outstanding. The guarantees we provided in October 2023 to satisfy the obligation in lieu of cash payment while we appealed the European Commissionâ€™s jurisdictional and fine decisions are no longer outstanding. 27Table of ContentsOn August 15, 2024, the U.S. Federal Trade Commission dismissed the previously disclosed administrative complaint in light of the completion of the Spin-Off.SEC Inquiry LetterIn July 2023, we were informed that the staff of the SEC was conducting an investigation relating to Illumina and was requesting documents and communications primarily related to Illuminaâ€™s acquisition of GRAIL and certain statements and disclosures concerning GRAIL, its products and its acquisition, and related to the conduct and compensation of certain members of Illumina and GRAIL management, among other things. Illumina is cooperating with the SEC in this investigation.Shareholder Derivative ComplaintsOn October 17, 2023, a stockholder derivative and class action complaint captioned Icahn Partners LP, et al. v. deSouza, et al., purportedly brought on behalf of Illumina and public holders of Illuminaâ€™s common stock, was filed in the Delaware Court of Chancery against certain current and former directors (including our former Chief Executive Officer). We are named as a nominal defendant in the complaint. The lawsuit alleges the named directors breached their fiduciary duties by knowingly causing Illumina to unlawfully close the GRAIL acquisition, concealing material facts related to the GRAIL acquisition and making inadequate disclosures. Before the filing of the complaint, the purported stockholders did not make a demand that our Board of Directors pursue the claims asserted therein. The complaint seeks damages, costs and expenses, including attorney fees, the certification and consolidation of a putative class, the issuance of amended disclosures, the removal of conflicted directors and declaratory and other equitable relief. Since the lawsuit is brought in part on behalf of Illumina as a nominal defendant, the alleged damages were allegedly suffered by us.On November 1, 2023, the defendants filed a motion to dismiss the complaint, which has not yet been briefed. On the same day, Illumina-joined by the director defendants-moved to strike portions of the complaint that contain improperly included confidential and privileged information. On January 16, 2024, the Court granted the motion to strike. On December 5, 2023, the plaintiffs moved to expedite the proceedings with respect to their direct claims. The director defendants opposed that motion and Illumina joined their opposition. On January 19, 2024, the Court denied plaintiffsâ€™ motion to expedite. On January 23, 2024, the plaintiffs filed a motion for reargument of the Courtâ€™s January 16 opinion, which the Court denied on February 19, 2024. On February 29, 2024, the plaintiffs filed an application to the trial court to certify the orders granting the motion to strike and denying the motion for reargument for interlocutory appeal. The Court refused the application on March 20, 2024. On March 14, 2024, the plaintiffs filed an application for interlocutory appeal with the Supreme Court of Delaware, which the Court denied on April 11, 2024.On February 26, 2024, a stockholder derivative complaint captioned City of Omaha Police and Firefighters Retirement System v. deSouza, et al., purportedly brought on behalf of Illumina, was filed in the Delaware Court of Chancery against certain current and former directors. On April 16, 2024, a stockholder derivative complaint captioned City of Roseville General Employees Retirement System, et al. v. deSouza, et al., purportedly brought on behalf of Illumina, was filed in the Delaware Court of Chancery against certain current and former directors and officers. On August 16, 2024, a stockholder derivative complaint captioned Thomas P. DiNapoli v. John Thompson et al., purportedly brought on behalf of Illumina, was filed in the Delaware Court of Chancery against certain current and former directors. We are named as a nominal defendant in the complaints. The lawsuits allege the named directors and officers breached their fiduciary duties by knowingly causing Illumina to unlawfully close the GRAIL acquisition. The stockholders previously made requests to inspect certain books and records under Delaware law, and they purport to base their complaint in part on documents obtained from Illumina in response to those requests. Before the filing of the complaint, the purported stockholders did not make a demand that our Board of Directors pursue the claim asserted therein. The complaints seek damages, costs and expenses, including attorney fees and other equitable relief. Since the lawsuits are brought in part on behalf of Illumina as a nominal defendant, the alleged damages were allegedly suffered by us.On March 26, 2024, the defendants filed a motion to dismiss the complaint in the lawsuit filed by City of Omaha Police and Firefighters Retirement System. The motion has not yet been briefed. On May 16, 2024, the defendants filed a motion to dismiss the complaint in the lawsuit filed by City of Roseville General Employees Retirement System, et al. The motion has not yet been briefed. On September 16, 2024, the defendants filed a motion to dismiss the complaint in the lawsuit filed by Thomas DiNapoli. The motion has not yet been briefed.28Table of ContentsIn light of the fact that these lawsuits are in an early stage, we cannot predict the ultimate outcome of the suits. We deny the allegations in the complaints and intend to vigorously defend the litigations.On February 21, 2024, a stockholder derivative complaint captioned Elaine Wang, et al. v. deSouza, et al., purportedly brought on behalf of the Company was filed in the United States District Court for the District of Delaware (District of Delaware) against certain current and former directors. The Company is named as a nominal defendant in the complaint. The lawsuit alleges that the named directors breached their fiduciary duties by knowingly causing the Company to unlawfully close the GRAIL acquisition. Before the filing of the complaint, the purported stockholder did not make a demand that our Board of Directors pursue the asserted claims therein. The complaint seeks, among other things, restitution to the Company for the alleged damages caused by the named defendants. Since the lawsuit was brought in part on behalf of Illumina as a nominal defendant, the alleged damages were allegedly suffered by us.On March 8, 2024, a stockholder derivative complaint captioned Michael Warner, et al. v. deSouza, et al., purportedly brought on behalf of Illumina was also filed in the United States District Court for the Southern District of California against certain current and former directors. We are named as a nominal defendant in the complaint. The lawsuit alleges that the named directors breached their fiduciary duties by knowingly causing us to unlawfully close the GRAIL acquisition. Before the filing of the complaint, the purported stockholder did not make a demand that our Board of Directors pursue the asserted claims therein. The complaint seeks, among other things, restitution to Illumina for the alleged damages caused by the named defendants. Since the lawsuit was brought in part on behalf of Illumina as a nominal defendant, the alleged damages were allegedly suffered by us. On March 28, 2024, the parties submitted a Joint Motion to Transfer the lawsuit to the District of Delaware, which the Court granted on March 29, 2024, and the Court transferred the lawsuit to the District of Delaware on the same day.Elaine Wang, et al. v. deSouza, et al. and Michael Warner, et al. v. deSouza, et al. were voluntarily dismissed on April 29, 2024, and May 1, 2024, respectively. On May 1, 2024, Michael Warner sent a litigation demand to our Board of Directors requesting that a civil action for monetary damages be brought by the Board of Directors on behalf of Illumina against officers and directors involved with the GRAIL acquisition. On July 30, 2024, the Board unanimously determined that it was in the best interest of the Company and its shareholders to defer a final decision on the demand given, among other things, the pending stockholder lawsuits described herein and the similarity of issues raised in the demand and those lawsuits. Our Board will monitor the stockholder lawsuits and revisit the demand as warranted as the lawsuits progress. On June 3, 2024, Elaine Wang made requests to inspect certain books and records under Delaware law and the Company sent a production of documents in response to that demand. On August 21, 2024, an additional stockholder, Jane Davidson, sent a litigation demand to our Board of Directors requesting that a civil action for breaches of fiduciary duty, indemnification, contribution and other appropriate claims be brought by the Board of Directors on behalf of Illumina against officers and directors involved with the GRAIL acquisition. On October 29, 2024, the Board unanimously determined that it was in the best interest of the Company and its shareholders to defer a final decision on the demand given, among other things, the pending stockholder lawsuits described herein and the similarity of issues raised in the demand and those lawsuits. Our Board will monitor the stockholder lawsuits and revisit the demand as warranted as the lawsuits progress.Securities Class ActionsFederal Securities Class Actions. On November 11, 2023, the first of three securities class action complaints was filed against Illumina and certain of its current and former executive officers in the United States District Court for the Southern District of California. The first-filed case is captioned Kangas v. Illumina, Inc. et al., the second-filed case is captioned Roy v. Illumina, Inc. et al., and the third-filed case is captioned Louisiana Sheriffsâ€™ Pension & Relief Fund v. Illumina, Inc. et al. (collectively, the Actions). The complaints generally allege, among other things, that defendants made materially false and misleading statements and omitted material facts relating to Illuminaâ€™s acquisition of Grail. The complaints seek unspecified damages, interest, fees, and costs. On January 9, 2024, four movants filed motions to consolidate the Actions and to appoint a lead plaintiff (Lead Plaintiff Motions). On April 11, 2024, the Court issued an order consolidating the Actions into a single action (captioned in re Illumina, Inc. Securities Litigation No. 23-cv-2082-LL-MMP), and appointed Universal-Investment-Gesellschaft mbH, UI BVK Kapitalverwaltungsgesellschaft mbH, and ACATIS Investment Kapitalverwaltungsgesellschaft mbH as lead plaintiffs (the Lead Plaintiffs). On June 21, 2024, the Lead Plaintiffs filed their consolidated amended complaint. The complaint alleges that Illumina and GRAIL and certain of their current and former directors and officers violated 29Table of ContentsSections 10(b) and 20(a) of the Securities Exchange Act and SEC Rule 10b-5 in connection with Illuminaâ€™s acquisition of GRAIL. On September 13, 2024, the Lead Plaintiffs filed a second amended consolidated complaint. Illuminaâ€™s response is due November 12, 2024.State Securities Class Actions. On February 2, 2024, the first of two additional securities class actions was filed against Illumina, certain of its officers and directors, and several other individuals and entities in the Superior Court of the State of California, County of San Mateo, captioned Loren Scott Mar v. Illumina, et al. and Scott Zerzanek v. Illumina, Inc. et al.. Both complaints generally allege, among other things, that defendants made materially false and misleading statements and omitted material facts in the November 2020 and February 2021 registration statements and prospectus relating to Illuminaâ€™s acquisition of Grail. The complaints seek unspecified damages, interest, fees, and costs. On March 29, 2024, the parties to the actions filed a Joint Stipulation to Consolidate the actions and to appoint co-lead counsel for plaintiffs, which the Court granted on April 5, 2024. On August 12, 2024, the Plaintiffs filed their consolidated complaint. On September 6, 2024, Illumina and the other named defendants filed a motion to stay the litigation. On October 4, 2024, the plaintiffs opposed the motion to stay. A hearing on the motion to stay is scheduled for December 6, 2024.In light of the fact that the lawsuits are in an early stage, we cannot predict the ultimate outcome of the suits. We deny the allegations in the complaints and intend to vigorously defend the litigation.DOJ Civil Investigative DemandOn January 18, 2024, we received a civil investigative demand (CID) from the U.S. Department of Justice, requiring production of certain documents and information in the course of a False Claims Act investigation to determine whether there is or has been a violation of 31 U.S.C. Â§ 3729. The False Claims Act investigation concerns allegations that the Company caused the submission of false claims to Medicare and other federal government programs because it misrepresented its compliance with cybersecurity requirements to the Food and Drug Administration and other federal agencies that purchase its devices. The Company is cooperating with the government. Books and Records ActionOn February 14, 2024, a stockholder filed a complaint in the Delaware Court of Chancery captioned Pavers and Road Builders Benefit Funds v. Illumina, Inc. seeking to inspect certain books and records related to the GRAIL transaction, including certain materials and minutes from meetings of our Board of Directors, which have been withheld because the Company contends they are non-responsive to the request or subject to the attorney-client privilege. Illumina previously provided documents to the stockholder in response to a demand made by letter under Delaware law, but the stockholder seeks additional and unredacted materials through this action. On March 11, 2024, Illumina filed an answer to the complaint, denying that the stockholder was entitled to inspection. We deny that the stockholder is entitled to review the documents and intend to vigorously defend the litigation. The trial took place on June 7, 2024. On July 16, 2024, the Court issued a decision requiring the Company to produce certain additional documents to plaintiff. On July 26, 2024, the stockholder filed a motion seeking in camera review of certain documents that the Company maintains are not subject to the Courtâ€™s July 16, 2024 order to produce documents. The Court granted the motion on August 19, 2024, and the Company filed the documents for in camera review on August 29, 2024. On October 7, 2024, the Court ruled that the Company need not produce the documents subject to the motion for in camera review because they are privileged under the attorney opinion work product doctrine.9. INCOME TAXESOur effective tax rate may vary from the U.S. federal statutory tax rate due to the change in the mix of earnings in tax jurisdictions with different statutory rates, benefits related to tax credits, and the tax impact of non-deductible expenses and other permanent differences between income (loss) before income taxes and taxable income. 30Table of ContentsOur effective tax rates for Q3 2024 and YTD 2024 were 2.1% and (3.2)%, respectively, compared to 3.6% and (3.8)% in Q3 2023 and YTD 2023, respectively. The variance from the U.S. federal statutory tax rate of 21% for Q3 2024 was primarily because of the $25Â million income tax expense impact of GRAIL pre-acquisition net operating losses on GILTI, the utilization of U.S. foreign tax credits, and the Pillar Two global minimum top-up tax, respectively, and the $10Â million income tax expense impact of capitalizing research and development expenses for tax purposes. The variance from the U.S. federal statutory tax rate of 21% for YTD 2024 was primarily because of the $308Â million income tax expense impact from the impairment of goodwill, which is nondeductible for tax purposes, $141Â million income tax expense impact of GRAIL pre-acquisition net operating losses on GILTI, the utilization of U.S. foreign tax credits, and the Pillar Two global minimum top-up tax, and the $53Â million income tax expense impact of capitalizing research and development expenses for tax purposes. The income tax rate in Q3 2024 and YTD 2024 was favorably impacted by the reversal of the European Commission fine related to the GRAIL acquisition, which is excluded from taxable income, and by the mix of earnings in jurisdictions with lower statutory tax rates than the U.S. federal statutory tax rate, such as in Singapore.As of SeptemberÂ 29, 2024 and DecemberÂ 31, 2023, prepaid income taxes, included within prepaid expenses and other current assets on the condensed consolidated balance sheets, were $16Â million and $75Â million, respectively.10. SEGMENT INFORMATION We report segment information based on the management approach, which designates the internal reporting used by the Chief Operating Decision Maker (CODM) for making decisions and assessing performance as the source of our reportable segments. The CODM allocates resources and assesses the performance of each operating segment using information about its revenue and income (loss) from operations. Our CODM does not evaluate our operating segments using discrete asset information. We do not allocate expenses between segments.Core Illumina: Core Illuminaâ€™s products and services serve customers in the research, clinical and applied markets, and enable the adoption of a variety of genomic solutions. Core Illumina includes all of our operations, excluding the results of GRAIL. Core Illumina sells products and provides services to GRAIL, and vice versa, in accordance with contractual agreements between the entities.GRAIL: GRAIL is a healthcare company focused on early detection of multiple cancers. We completed the Spin-Off of GRAIL on JuneÂ 24, 2024. Refer to note 2. GRAIL Spin-Off for additional details.In millionsQ3 2024Q3 2023YTD 2024YTD 2023Revenue:Core Illumina$1,080Â $1,106Â $3,228Â $3,341Â GRAILâ€”Â 21Â 55Â 62Â Eliminationsâ€”Â (8)(15)(21)Consolidated revenue$1,080Â $1,119Â $3,268Â $3,382Â Income (loss) from operations:Core Illumina$741Â $262Â $1,298Â $519Â GRAILâ€”Â (1,015)(2,305)(1,424)Eliminationsâ€”Â (1)(1)â€”Â Consolidated income (loss) from operations$741Â (754)(1,008)$(905)Total other expense, net primarily relates to Core Illumina, and we do not allocate income taxes to our segments.31Table of ContentsMANAGEMENTâ€™S DISCUSSION & ANALYSISOur Managementâ€™s Discussion and Analysis (MD&A) will help readers understand our results of operations, financial condition, and cash flow. It is provided in addition to the accompanying condensed consolidated financial statements and notes. This MD&A is organized as follows:â€¢Managementâ€™s Overview and Outlook. High level discussion of our operating results and significant known trends that affect our business.â€¢Results of Operations. Detailed discussion of our revenues and expenses.â€¢Liquidity and Capital Resources. Discussion of key aspects of our condensed consolidated statements of cash flows, changes in our financial position, and our financial commitments.â€¢Critical Accounting Policies and Estimates. Discussion of significant changes since our most recent Annual Report on Form 10-K that we believe are important to understanding the assumptions and judgments underlying our condensed consolidated financial statements.â€¢Recent Accounting Pronouncements. Summary of recent accounting pronouncements applicable to our condensed consolidated financial statements.â€¢Quantitative and Qualitative Disclosure About Market Risk. Discussion of our financial instrumentsâ€™ exposure to market risk.Our discussion of our results of operations, financial condition, and cash flow for Q3 2023 and YTD 2023 can be found in â€œManagementâ€™s Discussion and Analysis of Financial Condition and Results of Operationsâ€ within our filing of Form 10-Q for the fiscal quarter ended OctoberÂ 1, 2023.This MD&A discussion contains forward-looking statements that involve risks and uncertainties. See Consideration Regarding Forward-Looking Statements preceding the Condensed Consolidated Financial Statements section of this report for additional factors relating to such statements. This MD&A should be read in conjunction with our condensed consolidated financial statements and accompanying notes included in this report and our Annual Report on Form 10-K for the fiscal year ended DecemberÂ 31, 2023. Operating results are not necessarily indicative of results that may occur in future periods.MANAGEMENTâ€™S OVERVIEW AND OUTLOOKThis overview and outlook provide a high-level discussion of our operating results and significant known trends that affect our business. We believe that an understanding of these trends is important to understanding our financial results for the periods being reported herein as well as our future financial performance. This summary is not intended to be exhaustive, nor is it intended to be a substitute for the detailed discussion and analysis provided elsewhere in this report.About IlluminaOur focus on innovation has established us as a global leader in DNA sequencing and array-based technologies, serving customers in the research, clinical and applied markets.Â Our products are used for applications in the life sciences, oncology, reproductive health, agriculture and other emerging segments. Our customers include leading genomic research centers, academic institutions, government laboratories, and hospitals, as well as pharmaceutical, biotechnology, commercial molecular diagnostic laboratories, and consumer genomics companies. Our comprehensive line of products addresses the scale of experimentation and breadth of functional analysis to advance disease research, drug development, and the development of molecular tests. This portfolio of leading-edge sequencing and array-based solutions addresses a range of genomic complexity and throughput, enabling researchers and clinical practitioners to select the best solution for their scientific challenge.32Table of ContentsOn JuneÂ 24, 2024, we completed the Spin-Off of GRAIL into a new public company through the distribution of approximately 85.5% of the outstanding shares of common stock of GRAIL to Illumina stockholders on a pro rata basis. We retained approximately 14.5% of the shares of GRAIL common stock immediately following the Spin-Off. The disposition of GRAIL did not meet the criteria to be reported as a discontinued operation and accordingly, GRAILâ€™s assets, liabilities, results of operations and cash flows have not been reclassified. In connection with the Spin-Off, Illuminaâ€™s stockholders received one share of GRAIL common stock for every six shares of Illumina common stock held on the Record Date. Refer to note 2. GRAIL Spin-Off for further details.See note 10. Segment Information for details regarding our reportable segments. Our financial results have been, and will continue to be, impacted by several significant trends, which are described below. While these trends are important to understanding and evaluating our financial results, this discussion should be read in conjunction with our condensed consolidated financial statements and the notes thereto within the Condensed Consolidated Financial Statements section of this report, and the other transactions, events, and trends discussed in Risk Factors within the Other Key Information section of this report.Financial Overview Since 2023, macroeconomic factors such as inflation, exchange rate fluctuations and concerns about an economic downturn, competitive challenges in our China region, and the sanctions imposed on Russia as a result of the armed conflict between Russia and Ukraine have impacted both Illumina directly and our customersâ€™ behavior. For example, some customers experienced supply chain pressures that delayed their lab expansions and others are managing inventory and capital more conservatively. We expect these factors to continue to have an impact on our sales and results of operations for the remainder of 2024, the size and duration of which is significantly uncertain. Financial highlights for YTD 2024 included the following:â€¢Revenue decreased 3% in YTD 2024 to $3,268 million compared to $3,382 million in YTD 2023 primarily due to a decrease in sequencing instruments revenue, driven by fewer shipments of our high-throughput and mid-throughout instruments, offset by increases in sequencing consumables revenue and service and other revenue, primarily driven by our strategic partnerships and service contracts.â€¢Gross profit as a percentage of revenue (gross margin) was 65.3% in YTD 2024 compared to 61.2% in YTD 2023. The increase in gross margin was driven primarily by execution of our operational excellence priorities that delivered cost savings, including freight, and improved productivity, a more favorable mix of sequencing consumables, and a decrease in warranty and field service costs. This was offset by certain strategic partnership revenue that is lower margin. Our gross margin depends on many factors, including: market conditions that may impact our pricing; sales mix changes among consumables, instruments, services, and development and licensing revenue; product mix changes between established products and new products; excess and obsolete inventories; royalties; our cost structure for manufacturing operations relative to volume; freight costs; and product support obligations.â€¢Loss from operations was $1,008 million in YTD 2024 compared to $905 million in YTD 2023. The increase in loss from operations was due to an increase in operating expense of $166 million, which included an increase in goodwill and intangible impairment of $1,068 million, offset by a $488 million favorable impact in legal contingency and settlement, as a result of the European Commission withdrawing its previously imposed fine in September 2024, and an increase in the gains recognized on our GRAIL contingent consideration liability of $222Â million, offset by a $63Â million increase in gross profit. We continue to focus on our cost reduction initiatives to accelerate progress toward higher margins and create flexibility for further investment in high-growth areas.33Table of Contentsâ€¢Our effective tax rate was (3.2)% in YTD 2024 compared to (3.8)% in YTD 2023. The variance from the U.S. federal statutory tax rate of 21% was primarily because of the income tax expense impact of the impairment of goodwill, which is nondeductible for tax purposes, the income tax expense impact of the reversal of the European Commission fine related to the GRAIL acquisition, which is excluded from taxable income, the income tax expense impact of research and development expense capitalization for tax purposes, and the income tax expense impact of GRAIL pre-acquisition net operating losses on GILTI, the utilization of U.S. foreign tax credits, and the Pillar Two global minimum top-up tax. This was partially offset by the mix of earnings in jurisdictions with lower statutory tax rates than the U.S. federal statutory tax rate, such as in Singapore.â€¢We ended Q3 2024 with cash, cash equivalents, and short-term investments totaling $939 million, of which approximately $464 million was held by our foreign subsidiaries.RESULTS OF OPERATIONSTo enhance comparability, the following table sets forth unaudited condensed consolidated statement of operations data for the specified reporting periods, stated as a percentage of total revenue.(1)Q3 2024Q3 2023YTD 2024YTD 2023Revenue:Product revenue84.6Â %84.1Â %83.2Â %84.7Â %Service and other revenue15.4Â 15.9Â 16.8Â 15.3Â Total revenue100.0Â 100.0Â 100.0Â 100.0Â Cost of revenue:Cost of product revenue21.8Â 26.2Â 22.5Â 26.1Â Cost of service and other revenue7.8Â 8.5Â 8.8Â 8.4Â Amortization of acquired intangible assets1.5Â 4.2Â 3.4Â 4.3Â Total cost of revenue31.1Â 38.9Â 34.7Â 38.8Â Gross profit68.9Â 61.1Â 65.3Â 61.2Â Operating expense:Research and development23.4Â 28.1Â 27.9Â 30.0Â Selling, general and administrative22.2Â 27.0Â 24.8Â 33.3Â Goodwill and intangible impairmentâ€”Â 73.4Â 57.8Â 24.3Â Legal contingency and settlement(45.3)(0.1)(14.4)0.4Â Total operating expense0.3Â 128.4Â 96.1Â 88.0Â Income (loss) from operations68.6Â (67.3)(30.8)(26.8)Other income (expense):Interest income1.0Â 1.2Â 1.1Â 1.4Â Interest expense(3.4)(1.7)(2.3)(1.7)Other income (expense), net0.4Â (2.1)(9.8)(1.0)Total other expense, net(2.0)(2.6)(11.0)(1.3)Income (loss) before income taxes66.6Â (69.9)(41.8)(28.1)Provision (benefit) for income taxes1.4Â (2.5)1.3Â 1.1Â Net income (loss)65.2Â %(67.4)%(43.1)%(29.2)%_____________(1)Percentages may not recalculate due to rounding.34Table of ContentsRevenueDollars in millionsQ3 2024Q3 2023Change% ChangeYTD 2024YTD 2023Change% ChangeCore Illumina:Consumables$807Â $766Â $41Â 5Â %$2,390Â $2,344Â $46Â 2Â %Instruments107Â 182Â (75)(41)342Â 539Â (197)(37)Total product revenue914Â 948Â (34)(4)2,732Â 2,883Â (151)(5)Service and other revenue166Â 158Â 8Â 5Â 496Â 458Â 38Â 8Â Total Core Illumina revenue1,080Â 1,106Â (26)(2)3,228Â 3,341Â (113)(3)GRAIL:Service and other revenueâ€”Â 21Â (21)(100)55Â 62Â (7)(11)Eliminationsâ€”Â (8)8Â 100Â (15)(21)6Â (29)Total consolidated revenue$1,080Â $1,119Â $(39)(3)%$3,268Â $3,382Â $(114)(3)%Core Illumina consumables revenue increased in Q3 2024 and YTD 2024 primarily due to an increase in sequencing consumables revenue of $46 million and $48 million, respectively, driven primarily by an increase in NovaSeq X consumables. Core Illumina instruments revenue decreased in Q3 2024 and YTD 2024 primarily due to a decrease in sequencing instruments revenue of $75 million and $196 million, respectively, driven by fewer shipments of our high-throughput instruments, given we entered 2024 with a lower backlog of NovaSeq X instruments, as compared to 2023, given significant pre-orders following the launch, and fewer shipments of our mid-throughput instruments, primarily as capital and cash flow constraints continue to impact our customerâ€™s purchasing behavior. Core Illumina service and other revenue increased in Q3 2024 and YTD 2024 primarily due to increased revenue from our strategic partnerships and extended maintenance service contracts, partially offset by decreased revenue from development and licensing agreements. The increase in YTD 2024 Core Illumina service and other revenue was also partially offset by decreased revenue from genotyping services. The decrease in GRAIL revenue in Q3 2024 and YTD 2024 was due to the Spin-Off in Q2 2024. Gross MarginDollars in millionsQ3 2024Q3 2023Change% ChangeYTD 2024YTD 2023Change% ChangeGross profit (loss):Core Illumina$745$715$30Â 4Â %$2,181$2,161$20Â 1Â %GRAILâ€”(27)27Â (100)(38)(77)39Â (51)Eliminationsâ€”(4)4Â (100)(10)(14)4Â (29)Consolidated gross profit$745$684$61Â 9Â %$2,133$2,070$63Â 3Â %Gross margin:Core Illumina68.9Â %64.7Â %67.6Â %64.7Â %GRAIL****Consolidated gross margin68.9Â %61.1Â %65.3Â %61.2Â %________________*Not meaningful.35Table of ContentsThe increase in Core Illumina gross margin in Q3 2024 and YTD 2024 was driven primarily by a favorable impact from the execution of our operational excellence priorities that delivered cost savings, including freight, and improved productivity, a more favorable mix of sequencing consumables, and a decrease in warranty and field service costs. The increase in YTD 2024 was offset by higher strategic partnership revenue that is lower margin.The decrease in GRAIL gross loss in Q3 2024 and YTD 2024 was due to the Spin-Off in Q2 2024. Operating ExpenseDollars in millionsQ3 2024Q3 2023Change% ChangeYTD 2024YTD 2023Change% ChangeResearch and development:Core Illumina$253Â $238Â $15Â 6Â %$732Â $771Â $(39)(5)%GRAILâ€”Â 79Â (79)(100)189Â 254Â (65)(26)Eliminationsâ€”Â (2)2Â (100)(8)(12)4Â (33)Consolidated research and development253Â 315Â (62)(20)913Â 1,013Â (100)(10)Selling, general and administrative:Core Illumina239Â 216Â 23Â 11Â 621Â 857Â (236)(28)GRAILâ€”Â 87Â (87)(100)192Â 271Â (79)(29)Eliminationsâ€”Â â€”Â â€”Â â€”Â (1)1Â (100)Consolidated selling, general and administrative239Â 303Â (64)(21)813Â 1,127Â (314)(28)Goodwill and intangible impairment:Core Illuminaâ€”Â â€”Â â€”Â â€”Â 3Â â€”Â 3Â 100Â GRAILâ€”Â 821Â (821)(100)1,886Â 821Â 1,065Â 130Â Consolidated goodwill and intangible impairmentâ€”Â 821Â (821)(100)1,889Â 821Â 1,068Â 130Â Legal contingency and settlement:Core Illumina(488)(1)(487)48,700Â (474)14Â (488)(3,486)Total consolidated operating expense$4Â $1,438Â $(1,434)(100)%$3,141Â $2,975Â $166Â 6Â %Core Illumina R&D expense increased by $15 million, or 6%, in Q3 2024 primarily due to an increase in share-based compensation expense related to PSU awards. Core Illumina R&D expense decreased by $39 million, or 5%, in YTD 2024 primarily due to decreases in headcount and employee related compensation costs, restructuring charges of $14Â million, and lab supply costs, as we continue to focus on our cost reduction initiatives. Core Illumina SG&A expense increased by $23 million, or 11%, in Q3 2024 primarily due to a decrease in the gains recognized on our GRAIL contingent consideration liability of $61Â million and an increase in share-based compensation expense related to PSU awards. The increase was offset by decreases in restructuring charges of $49Â million and GRAIL-related transaction expenses, given the Spin-Off of GRAIL in Q2 2024. Core Illumina SG&A expense decreased by $236 million, or 28%, in YTD 2024 primarily due to an increase in the gains recognized on our GRAIL contingent consideration liability of $222Â million and decreases in restructuring charges of $29Â million, proxy contest charges of $28Â million, and facility related costs, as we continue to exit certain of our facilities. The decrease was offset by increases in share-based compensation expense related to PSU awards and GRAIL-related transaction expenses, which included $53Â million of expenses incurred in YTD 2024 directly related to the Spin-Off.36Table of ContentsThe decrease in GRAIL R&D and SG&A expense in Q3 2024 and YTD 2024 was due to the Spin-Off in Q2 2024.GRAIL goodwill and intangible impairment for YTD 2024 consisted of goodwill impairment of $1,466Â million and IPR&D intangible asset impairment of $420Â million as a result of performing impairment tests in Q2 2024. See note 7. Supplemental Balance Sheet Details for additional information. GRAIL goodwill and intangible impairment for Q3 2023 and YTD 2023 consisted of goodwill impairment of $712Â million and IPR&D intangible asset impairment of $109Â million as a result of performing an interim impairment test in Q3 2023. Core Illumina goodwill and intangible impairment for YTD 2024 consisted of an IPR&D intangible asset impairment recorded in Q1 2024.Core Illumina legal contingency and settlement in Q3 2024 and YTD 2024 primarily consisted of a gain of $489Â million resulting from the reversal of the EC fine accrual, and related accrued interest, following the European Commissionâ€™s decision to withdraw its previously imposed fine. See note 8. Legal Proceedings for additional details. Core Illumina legal contingency and settlement in YTD 2023 primarily consisted of an adjustment to our accrual for the fine previously imposed by the European Commission and other patent litigation settlement activity. Other Income (Expense)Dollars in millionsQ3 2024Q3 2023Change% ChangeYTD 2024YTD 2023Change% ChangeInterest income$11Â $13Â $(2)(15)%$36Â $47Â $(11)(23)%Interest expense(36)(19)(17)89Â (75)(59)(16)27Â Other income (expense), net4Â (22)26Â (118)(319)(33)(286)867Â Total other expense, net(21)(28)$7Â (25)%$(358)(45)(313)696Â %Total other expense, net primarily relates to the Core Illumina segment.Interest income in Q3 2024 and YTD 2024 consisted primarily of interest on our money market funds, which decreased primarily due to a lower cash balance in Q3 2024 as compared to the prior year. Interest expense consisted primarily of interest on our outstanding term debt and a loss on debt extinguishment of $5Â million related to the repayment of our delayed draw term loan in Q3 2024. The fluctuation in other income (expense), net in Q3 2024 was primarily driven by a favorable net impact related to foreign currency activity as compared to the prior period and a decrease in net losses recognized on our strategic investments of $7 million. The fluctuation in other income (expense), net in YTD 2024 was primarily driven by an increase in net losses recognized on our strategic investments of $303 million, which included an unrealized loss of $332 million on our retained investment in GRAIL subsequent to the Spin-Off. This was offset by a favorable net impact related to foreign currency activity as compared to the prior year and an increase in the gains recognized on our Helix contingent value right of $7 million.Provision (Benefit) for Income TaxesDollars in millionsQ3 2024Q3 2023Change% ChangeYTD 2024YTD 2023Change% ChangeIncome (loss) before income taxes$720Â (782)1,502Â (192)%$(1,366)(950)(416)44Â %Provision (benefit) for income taxes15Â (28)43Â (154)44Â 36Â 8Â 22Â Net income (loss)$705Â (754)1,459Â (194)%$(1,410)(986)(424)43Â %Effective tax rate2.1Â %3.6Â %(3.2)%(3.8)%37Table of ContentsOur effective tax rate was 2.1% and (3.2)% in Q3 2024 and YTD 2024, respectively, compared to 3.6% and (3.8)% in Q3 2023 and YTD 2023, respectively. The variance from the U.S. federal statutory tax rate of 21% for Q3 2024 was primarily because of the $25Â million income tax expense impact of GRAIL pre-acquisition net operating losses on GILTI, the utilization of U.S. foreign tax credits, and the Pillar Two global minimum top-up tax, respectively, and the $10Â million income tax expense impact of capitalizing research and development expenses for tax purposes. The variance from the U.S. federal statutory tax rate of 21% for YTD 2024 was primarily because of the $308 million income tax expense impact from the impairment of goodwill, which is nondeductible for tax purposes, $141 million income tax expense impact of GRAIL pre-acquisition net operating losses on GILTI, the utilization of U.S. foreign tax credits, and the Pillar Two global minimum top-up tax, and the $53Â million income tax expense impact of capitalizing research and development expenses for tax purposes. The income tax rate in Q3 2024 and YTD 2024 was favorably impacted by the reversal of the European Commission fine related to the GRAIL acquisition, which is excluded from taxable income, and by the mix of earnings in jurisdictions with lower statutory tax rates than the U.S. federal statutory tax rate, such as in Singapore.In Q3 2023 and YTD 2023, the variance from the U.S. federal statutory tax rate of 21% was primarily because of the $149Â million income tax expense impact from the impairment of goodwill, which is nondeductible for tax purposes, the $20Â million and $84Â million income tax expense impact of capitalizing research and development expenses for tax purposes, respectively, and the $38Â million and $63Â million income tax expense impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits, respectively. The income tax expense in Q3 2023 and YTD 2023 were also favorably impacted by the mix of earnings in jurisdictions with lower statutory tax rates than the U.S. federal statutory tax rate, such as in Singapore.Our future effective tax rate may vary from the U.S. federal statutory tax rate due to the mix of earnings in tax jurisdictions with different statutory tax rates and the other factors discussed in the risk factor â€œWe are subject to risks related to taxation in multiple jurisdictionsâ€ described in â€œRisk Factorsâ€ within the Business & Market Information section of our Annual Report on Form 10-K for the fiscal year ended DecemberÂ 31, 2023.LIQUIDITY AND CAPITAL RESOURCESAs of SeptemberÂ 29, 2024, we had $869 million in cash and cash equivalents, of which $464 million was held by our foreign subsidiaries. Cash and cash equivalents decreased by $179 million from DecemberÂ 31, 2023 due to factors described in the â€œCash Flow Summaryâ€ below. In connection with the Spin-Off, we derecognized GRAILâ€™s cash and cash equivalents of $968Â million, which included the required Disposal Funding (see note 2. GRAIL Spin-Off). Our primary source of liquidity, other than our holdings of cash, cash equivalents, and investments, has been cash flows from operations and, from time to time, issuances of debt. During YTD 2024, we received net proceeds from the issuance of our 2026 Term Notes of $497Â million and repaid our delayed draw term loan of $750Â million. Our ability to generate cash from operations, supplemented with the issuance of debt and/or liquidation of our short-term investments, provides us with the financial flexibility we need to meet operating, investing, and financing needs. As of SeptemberÂ 29, 2024, we had $70Â million in short-term investments, comprised of marketable equity securities.In September 2024, the European Commission withdrew its previously imposed fine of â‚¬432Â million. Accordingly, we reversed the related accrual and recognized a net gain of $481Â million in Q3 2024. The guarantees we provided in October 2023 to satisfy the obligation in lieu of cash payment while we appealed the European Commissionâ€™s jurisdictional and fine decisions are no longer outstanding. Refer to note 8. Legal Proceedings for additional details. In June 2024, we entered into a 364-day Delayed Draw Credit Facility, which provided us with a senior unsecured term loan credit facility in an aggregate principal amount of up to $750Â million. On June 20, 2024, we borrowed $750Â million on the Delayed Draw Credit Facility. The delayed draw term loan incurred interest at a rate of 6.7%. On September 9, 2024, we repaid the full principal amount outstanding under the Delayed Draw Credit Facility, including accrued interest, of $761Â million and terminated the Delayed Draw Credit Agreement.On September 9, 2024, we issued $500Â million aggregate principal amount of 2026 Term Notes. We received net proceeds of $497Â million, which were used to repay a portion of the outstanding debt under the Delayed Draw Credit Agreement. The 2026 Term Notes, which mature on September 9, 2026, accrue interest at a rate of 4.650% per annum, payable semi-annually on March 9 and September 9 of each year, beginning on March 9, 2025. We may redeem for cash all or any portion of the 2026 Term Notes, at our option, at any time prior to maturity. 38Table of ContentsIn December 2022, we issued $500Â million aggregate principal amount of 2025 Term Notes and $500Â million aggregate principal amount of 2027 Term Notes. The 2025 Term Notes, which mature on December 12, 2025, and the 2027 Term Notes, which mature on December 13, 2027, accrue interest at a rate of 5.800% and 5.750% per annum, respectively, payable semi-annually in June and December of each year. In March 2021, we issued $500Â million aggregate principal amount of 2031 Term Notes, which mature on March 23, 2031, and accrue interest at a rate of 2.550% per annum, payable semi-annually in March and September of each year. We may redeem for cash all or any portion of the 2025, 2027, or 2031 Term Notes, at our option, at any time prior to maturity. In January 2023, we entered into the Revolving Credit Agreement, which provides us with a $750Â million senior unsecured five year revolving credit facility, including a $40Â million sublimit for swingline borrowings and a $50Â million sublimit for letters of credit. The credit facility matures, and all amounts outstanding become due and payable in full, on January 4, 2028, subject to two one-year extensions at our option and consent of the extending lenders and certain other conditions. As of SeptemberÂ 29, 2024, there were no outstanding borrowings.As of SeptemberÂ 29, 2024, the fair value of our contingent consideration liability related to GRAIL was $82Â million, of which $81Â million was included in other long-term liabilities. The contingent value rights entitle the holders to receive future cash payments on a quarterly basis (Covered Revenue Payments) representing a pro rata portion of certain GRAIL-related revenues (Covered Revenues) each year through August 2033. This reflects a 2.5% payment right to the first $1Â billion of revenue each year for 12 years. Revenue above $1Â billion each year is subject to a 9% contingent payment right during this same period. In YTD 2024, we paid $836,000 in aggregate Covered Revenue Payments related to Covered Revenues for the period Q4 2023 through Q2 2024 of $89Â million in aggregate.In August 2024, our Board of Directors authorized a new share repurchase program, which cancels and supersedes all prior and available repurchase authorizations, to repurchase up to $1.5Â billion of our outstanding common stock. The repurchases may be completed through open market purchases, pursuant to Rule 10b5-1 or Rule 10b-18, or through an accelerated share repurchase program. Authorizations to repurchase up to $1.4 billion of our outstanding common stock remained available as of SeptemberÂ 29, 2024.We had $3 million (plus recallable distributions of approximately $10 million), $49 million, and $47 million, respectively, remaining in our capital commitments to three venture capital investment funds as of SeptemberÂ 29, 2024 that are callable through April 2026, July 2029, and December 2034, respectively.We anticipate that our current cash, cash equivalents, and short-term investments, together with cash provided by operating activities and available borrowing capacity under the Revolving Credit Facility, are sufficient to fund our near-term capital and operating needs for at least the next 12Â months. Operating needs include the planned costs to operate our business, including amounts required to fund working capital and capital expenditures. Our primary short-term needs for capital, which are subject to change, may include:â€¢support of commercialization efforts related to our current and future products;â€¢acquisitions of equipment and other fixed assets for use in our current and future manufacturing and research and development facilities;â€¢the continued advancement of research and development efforts;â€¢potential strategic acquisitions and investments;â€¢repayment of debt obligations; â€¢repurchases of our outstanding common stock; andâ€¢the evolving needs of our facilities, including costs of leasing and building out facilities.We expect that our revenue and results of operations, as well as the status of each of our new product development programs, will significantly impact our cash management decisions. Our future capital requirements and the adequacy of our available funds will depend on many factors, including:â€¢our ability to successfully commercialize and further develop our technologies and create innovative products in our markets;39Table of Contentsâ€¢scientific progress in our research and development programs and the magnitude of those programs;â€¢competing technological and market developments;Â andâ€¢the need to enter into collaborations with other companies or acquire other companies or technologies to enhance or complement our product and service offerings.Cash Flow SummaryIn millionsYTD 2024YTD 2023Net cash provided by operating activities$473Â $254Â Net cash used in investing activities(130)(146)Net cash used in financing activities(523)(1,183)Effect of exchange rate changes on cash and cash equivalents1Â (9)Net decrease in cash and cash equivalents(179)(1,084)Operating ActivitiesNet cash provided by operating activities in YTD 2024 consisted of a net loss of $1,410 million, plus net adjustments of $2,368 million, less net changes in operating assets and liabilities of $485 million. The primary adjustments to net loss included goodwill and intangible impairment of $1,889 million, net loss on strategic investments of $342 million, share-based compensation expense of $291 million, depreciation and amortization expense of $283 million, and property and equipment and right-of-use asset impairment of $32 million, offset by change in fair value of contingent consideration liabilities of $304 million and deferred income taxes of $161 million. Cash flow impact from changes in net operating assets and liabilities were primarily driven by decreases in accrued liabilities and accounts payable.Investing ActivitiesNet cash used in investing activities totaled $130 million in YTD 2024. We invested $99 million in capital expenditures, primarily associated with investments in facilities, paid $81 million for an acquisition, net of cash acquired, and other intangible assets, and purchased strategic investments, net of distributions, of $33 million. This was offset by the receipt of $83 million related to the settlement of our Helix contingent value right.Financing ActivitiesNet cash used in financing activities totaled $523 million in YTD 2024. We deconsolidated cash and cash equivalents of $968Â million, as a result of the GRAIL Spin-Off, repaid our delayed draw term loan of $750Â million, and used $99Â million to repurchase our common stock. This was offset by net borrowings on the Delayed Draw Credit Facility of $744 million, net proceeds received from the issuance of our 2026 Term Notes of $497Â million, and proceeds received from the sale of shares under our employee stock purchase plan of $56 million.CRITICAL ACCOUNTING POLICIES AND ESTIMATESIn preparing our condensed consolidated financial statements, we make estimates, assumptions and judgments that can have a significant impact on our net revenue, operating income (loss), and net income (loss), as well as on the value of certain assets and liabilities on our balance sheet. We believe that the estimates, assumptions and judgments involved in the accounting policies described in â€œCritical Accounting Policies and Estimatesâ€ within the Managementâ€™s Discussion & Analysis section of our Annual Report on Form 10-K for the fiscal year ended DecemberÂ 31, 2023 have the greatest potential impact on our financial statements, so we consider them to be our critical accounting policies and estimates. Though macroeconomic factors such as inflation, exchange rate fluctuations and concerns about an economic downturn present additional uncertainty, we continue to use the best information available to inform our critical accounting estimates. There were no material changes to our critical accounting policies and estimates during YTD 2024.40Table of ContentsRECENT ACCOUNTING PRONOUNCEMENTSFor a summary of recent accounting pronouncements applicable to our condensed consolidated financial statements, see note 1. Organization and Significant Accounting Policies within the Condensed Consolidated Financial Statements section of this report, which is incorporated herein by reference.QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKThere were no substantial changes to our market risks in YTD 2024, when compared to the disclosures in â€œQuantitative and Qualitative Disclosures about Market Riskâ€ within the Managementâ€™s Discussion & Analysis section of our Annual Report on Form 10-K for the fiscal year ended DecemberÂ 31, 2023.OTHER KEY INFORMATIONCONTROLS AND PROCEDURESWe design our internal controls to provide reasonable assurance that (1)Â our transactions are properly authorized; (2)Â our assets are safeguarded against unauthorized or improper use; and (3)Â our transactions are properly recorded and reported in conformity with U.S. generally accepted accounting principles. We also maintain internal controls and procedures to ensure that we comply with applicable laws and our established financial policies.During the third quarter of 2024, we continued to monitor and evaluate the design and operating effectiveness of key controls. There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that materially affected or are reasonably likely to materially affect internal control over financial reporting.Based on managementâ€™s evaluation (under the supervision and with the participation of our chief executive officer (CEO) and chief financial officer (CFO)), as of the end of the period covered by this report, our CEO and CFO concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.LEGAL PROCEEDINGSSee discussion of legal proceedings in note 8. Legal Proceedings in the Condensed Consolidated Financial Statements section of this report, which is incorporated herein by reference.RISK FACTORSOur business is subject to various risks, including those described in â€œRisk Factorsâ€ within the Business & Market Information section of our Annual Report on Form 10-K for the fiscal year ended DecemberÂ 31, 2023, and the â€œOther Key Informationâ€ section of our Quarterly Report on Form 10-Q for the periods ended March 31, 2024 and June 30, 2024, which we strongly encourage you to review. In addition to the risk factors disclosed in our Form 10-K, the issues raised in the following risk factor could adversely affect our operating results and stock price:On June 24, 2024, we completed the separation of GRAIL into a separate, independent publicly traded company. As of September 6, 2024, all previously disclosed regulatory proceedings in the United States and European Union related to our acquisition of GRAIL (the Acquisition) have come to an end. Litigation, regulation, and other proceedings related to or resulting from the Acquisition have resulted in operational restrictions and increased costs and could result in similar additional future consequences or further result in loss of revenues.41Table of ContentsAs previously disclosed, the Acquisition was subject to various legal challenges, including by the FTC and European Commission. As a result, we have been a party to a number of regulatory and administrative proceedings regarding the Acquisition. On June 24, 2024, we completed the separation (the Spin-Off) of GRAIL into a separate, independent publicly traded company as described in note 2. GRAIL Spin-Off within the Consolidated Financial Statements. We incurred significant costs to complete the Spin-Off, including significant legal, financial advisory, regulatory and other professional services fees and additional expenses, and assumed certain liabilities in connection therewith. The Spin-Off also may result in loss of revenue and other adverse effects on our business, financial condition and results of operations. In addition, we have experienced and might continue to experience negative impacts on our stock price. We cannot predict what other adverse consequences to, among other things, our reputation, our relationships with governmental or regulatory authorities, or our ability to successfully complete future transactions, our ability to attract, retain and motivate customers, key personnel and those with whom we conduct business may result.Furthermore, we have and may continue to become subject to stockholder inspection demands under Delaware law, investigations initiated by regulators and law firms, and derivative or other similar litigation that can be expensive, divert management attention and human and financial capital to less productive uses and result in potential reputational damage. The GRAIL acquisition and subsequent litigation resulted in (i) the announcement of an investigation by the SEC and others by law firms of possible securities law violations; (ii) stockholder inspection demands seeking to investigate possible breaches of fiduciary duties, corporate wrongdoing or a lack of independence of the members of the Board, including a complaint filed in the Delaware Court of Chancery seeking to inspect books and records captioned Pavers and Road Builders Benefit Funds v. Illumina, Inc.; (iii) the filing of four securities class actions in the United States District Court for the Southern District of California: Kangas v. Illumina, Inc. et al., Roy v. Illumina, Inc. et al., Louisiana Sheriffsâ€™ Pension & Relief Fund v. Illumina, Inc. et al. and Warner v. deSouza et al.; (iv) the filing of a securities class action in the United States District Court for the District of Delaware captioned Wang v. deSouza et al.; (v) the filing of two securities class actions in the Superior Court of the State of California, County of San Mateo: Loren Scott Mar v. Illumina, et al. and Scott Zerzanek v. Illumina, Inc. et al.; (vi) the filing of a stockholder derivative and class action complaint captioned Icahn Partners LP, et al. v. deSouza, et al.; (vii) the filing of a stockholder derivative complaint captioned City of Omaha Police and Firefighters Retirement System v. deSouza, et al.; (viii) the filing of a stockholder derivative complaint captioned City of Roseville General Employees Retirement System, et al. v. deSouza, et al.; and (ix) the filing of a stockholder derivative complaint captioned Thomas P. DiNapoli v. John Thompson et al. See note 8. Legal Proceedings within the Consolidated Financial Statements for further details. In the event that any of the matters described above result in one or more adverse judgments or settlements, we may experience an adverse impact on our financial condition, results of operations or stock price.SHARE REPURCHASES AND SALESPurchases of Equity Securities by the IssuerIn August 2024, our Board of Directors authorized a new share repurchase program, which cancels and supersedes all prior and available repurchase authorizations, to repurchase up to $1.5Â billion of our outstanding common stock. The repurchases may be completed through open market purchases, pursuant to Rule 10b5-1 or Rule 10b-18, or through an accelerated share repurchase program. Shares repurchased in open market transactions pursuant to this program during Q3 2024 were as follows:In thousands, except price per shareÂ Â Total Number of SharesPurchasedÂ Â Average PricePaid per Share(1)Total Number ofShares Purchased as Part of PubliclyAnnounced ProgramApproximate DollarValue of Sharesthat May Yet BePurchased Underthe ProgramJuly 29, 2024 - August 25, 2024106Â $129.05Â 106Â $1,486,318Â August 26, 2024 - September 29, 2024664Â $127.50Â 664Â $1,401,684Â Total770Â $127.71Â 770Â $1,401,684Â _____________(1)Average price paid per share excludes the excise tax on share repurchases imposed as part of the Inflation Reduction Act of 2022. 42Table of ContentsUnregistered Sales of Equity SecuritiesNone during the quarterly period ended SeptemberÂ 29, 2024.ADOPTIONS, MODIFICATIONS OR TERMINATIONS OF TRADING PLANSDuring the quarterly period ended SeptemberÂ 29, 2024, none of the Companyâ€™s directors or officers adopted, modified or terminated any â€œRule 10b5-1 trading arrangementâ€ or any â€œnon-Rule 10b5-1 trading arrangement,â€ in each case as such term is defined in Item 408 of Regulation S-K. 43Table of ContentsEXHIBITSIncorporated by ReferenceExhibitÂ NumberExhibit DescriptionFormFile NumberExhibitFiling DateFiled Herewith3.1Amended and Restated Bylaws of Illumina, Inc., effective as of August 5, 202410-Q001-354063.1August 7, 202410.1Underwriting Agreement, dated September 4, 2024, between the Company and J.P. Morgan Securities LLC and Goldman Sachs & Co. LLC, as representatives of the several underwriters named therein8-K001-354061.1September 9, 202410.2Officerâ€™s Certificate, dated September 9, 2024, setting forth the terms and form of the Notes8-K001-354064.2September 9, 202410.3+Separation Agreement and General Release of All Claims by and between Joydeep Goswami and Illumina, Inc. dated as of July 2, 2024 10-Q001-3540610.7August 7, 202431.1Certification of Jacob Thaysen pursuant to Section 302 of the Sarbanes-Oxley Act of 2002X31.2Certification of Ankur Dhingra pursuant to Section 302 of the Sarbanes-Oxley Act of 2002X32.1Certification of Jacob Thaysen pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002X32.2Certification of Ankur Dhingra pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002X101.INSXBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL documentX101.SCHXBRL Taxonomy Extension SchemaX101.CALXBRL Taxonomy Extension Calculation LinkbaseX101.LABXBRL Taxonomy Extension Label LinkbaseX101.PREXBRL Taxonomy Extension Presentation LinkbaseX101.DEFXBRL Taxonomy Extension Definition LinkbaseX104Cover Page Interactive Data File - formatted in Inline XBRL and included as Exhibit 101X__________________________________+ Management contract or corporate plan or arrangement44Table of Contents* Portions of this exhibit omitted pursuant to Item 601(b)(2) and Item 601(b)(10) of Regulation S-K, as applicable. The Company agrees to furnish a supplemental and unredacted copy of any omitted schedule to the Securities and Exchange Commission upon its request.45Table of ContentsFORM 10-Q CROSS-REFERENCE INDEXÂ PagePART I. FINANCIAL INFORMATIONItemÂ 1. Financial Statements5Condensed Consolidated Balance Sheets5Condensed Consolidated Statements of Operations6Condensed Consolidated Statements of Comprehensive Income (Loss)7Condensed Consolidated Statement of Stockholdersâ€™ Equity8Condensed Consolidated Statements of Cash Flows10Notes to Condensed Consolidated Financial Statements11ItemÂ 2. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations32ItemÂ 3. Quantitative and Qualitative Disclosures About Market Risk41ItemÂ 4. Controls and Procedures41PART II. OTHER INFORMATIONItemÂ 1. Legal Proceedings41ItemÂ 1A. Risk Factors41ItemÂ 2. Unregistered Sales of Equity Securities and Use of Proceeds42ItemÂ 3. Defaults Upon Senior SecuritiesNoneItemÂ 4. Mine Safety DisclosuresNot ApplicableItemÂ 5. Other Information42ItemÂ 6. Exhibits44Signatures4746Table of ContentsSIGNATURESPursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.Â ILLUMINA, INC.(registrant)Date:November 5, 2024By:/s/ ANKUR DHINGRAName:Ankur DhingraTitle:Chief Financial Officer47DocumentExhibitÂ 31.1CERTIFICATION OF JACOB THAYSEN PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002I, Jacob Thaysen, certify that:1I have reviewed this Quarterly Report on Form 10-Q of Illumina, Inc.;2Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;3Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;4The registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act RulesÂ 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act RulesÂ 13a-15(f) and 15d-15(f)) for the registrant and have:a)designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;b)designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;c)evaluated the effectiveness of the registrantâ€™s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; andd)disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and5The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions):a)all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrantâ€™s ability to record, process, summarize and report financial information; andb)any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.Dated: NovemberÂ 5, 2024 Â By:Â /s/ JACOB THAYSENÂ Name:Â Jacob ThaysenÂ Title:Â Chief Executive OfficerDocumentExhibitÂ 31.2CERTIFICATION OF ANKUR DHINGRA PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002I, Ankur Dhingra, certify that:1I have reviewed this Quarterly Report on Form 10-Q of Illumina, Inc.;2Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;3Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;4The registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act RulesÂ 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act RulesÂ 13a-15(f) and 15d-15(f)) for the registrant and have:a)designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;b)designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;c)evaluated the effectiveness of the registrantâ€™s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; andd)disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and5The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions):a)all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrantâ€™s ability to record, process, summarize and report financial information; andb)any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.Dated: NovemberÂ 5, 2024 Â By:Â /s/ ANKUR DHINGRA Â Name:Â Ankur Dhingra Â Title:Â Chief Financial OfficerDocumentExhibitÂ 32.1CERTIFICATION OF JACOB THAYSEN PURSUANT TO 18 U.S.C. SECTION1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002In connection with the Quarterly Report of Illumina, Inc. (the â€œCompanyâ€) on Form 10-Q for the quarter ended SeptemberÂ 29, 2024, as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), I, Jacob Thaysen, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. SectionÂ 1350, as adopted pursuant to SectionÂ 906 of the Sarbanes-Oxley Act of 2002, that:(1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.Dated: NovemberÂ 5, 2024 Â By:Â /s/ JACOB THAYSENÂ Name:Â Jacob ThaysenÂ Title:Â Chief Executive OfficerThis certification accompanying the Report is not deemed filed with the Securities and Exchange Commission for purposes of SectionÂ 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of such Section, and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before, on or after the date of the Report), irrespective of any general incorporation language contained in such filing.DocumentExhibitÂ 32.2CERTIFICATION OF ANKUR DHINGRA PURSUANT TO 18 U.S.C.SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THESARBANES-OXLEY ACT OF 2002In connection with the Quarterly Report of Illumina, Inc. (the â€œCompanyâ€) on Form 10-Q for the quarter ended SeptemberÂ 29, 2024, as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), I, Ankur Dhingra, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. SectionÂ 1350, as adopted pursuant to SectionÂ 906 of the Sarbanes-Oxley Act of 2002, that:(1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.Dated: NovemberÂ 5, 2024 Â By:Â /s/ ANKUR DHINGRAÂ Name:Â Ankur DhingraÂ Title:Â Chief Financial OfficerThis certification accompanying the Report is not deemed filed with the Securities and Exchange Commission for purposes of SectionÂ 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of such Section, and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before, on or after the date of the Report), irrespective of any general incorporation language contained in such filing.