Illumina Denmark ApS

Ørestads Boulevard 73, 2300 København S

CVR no. 34 08 74 23

Annual report 2016

Approved at the annual general meeting of shareholders on 19 May 2017

Chairman:

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Building a better
working world

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Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Illumina Denmark ApS for the financial year 1 January - 31 December 2016.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 19 May 2017
Executive Board:

André Jacques Nel	Paula Lynn Dowdy	Ronald James McGrath

Independent auditor's report

To the shareholders of Illumina Denmark ApS

Opinion

We have audited the financial statements of Illumina Denmark ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 19 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

C. Johansen

Christian S Johansen
State Authorised Public Accountant

Management's review

Company details

Name	Illumina Denmark ApS
Address, Postal code, City	Ørestads Boulevard 73, 2300 København S
CVR no.	34 08 74 23
Registered office	Copenhagen
Financial year	1 January - 31 December
Executive Board	André Jacques Nel Paula Lynn Dowdy Ronald James McGrath

Management's review

Management commentary

Business review

The Company's main activities are sales of tools and integrated systems for large-scale analyses of genetic variation and function to customers in Denmark.

Financial review

The income statement for 2016 shows a profit of DKK 3,165,339 against DKK 6,154,489 last year, and the balance sheet at 31 December 2016 shows equity of DKK 17,205,079.

Management considers the Company's financial performance in the year satisfactory.

Events after the balance sheet date

No events have occurred after the financial year-end which could significantly affect the Company's financial position.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2016	2015
	Gross margin	13,521,375	15,461,606
2	Staff costs	-10,164,426	-9,368,876
	Profit before net financials	3,356,949	6,092,730
	Financial income	881,389	2,215,071
	Financial expenses	-102,623	-203,728
	Profit before tax	4,135,715	8,104,073
	Tax for the year	-970,376	-1,949,584
	Profit for the year	3,165,339	6,154,489
	Recommended appropriation of profit		
	Retained earnings	3,165,339	6,154,489
		3,165,339	6,154,489

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	ASSETS		
	Non-fixed assets		
	Receivables		
	Trade receivables	14,925,536	24,863,911
	Receivables from group entities	179,465	79,319
	Income taxes receivable	1,249,872	0
	Other receivables	393,162	1,724,091
		16,748,035	26,667,321
	Cash	15,821,906	19,013,234
	Total non-fixed assets	32,569,941	45,680,555
	TOTAL ASSETS	32,569,941	45,680,555
	EQUITY AND LIABILITIES		
	Equity		
3	Share capital	80,000	80,000
	Retained earnings	17,125,079	13,959,740
	Total equity	17,205,079	14,039,740
	Provisions		
	Other provisions	423,286	0
	Total provisions	423,286	0
	Liabilities		
	Non-current liabilities other than provisions		
	Deferred income	1,361,593	1,688,542
		1,361,593	1,688,542
	Current liabilities		
	Trade payables	1,229,279	1,550,082
	Payables to group entities	139,580	14,307,579
	Income taxes payable	0	1,255,457
	Other payables	6,196,553	7,384,867
	Deferred income	6,014,571	5,454,288
		13,579,983	29,952,273
	Total liabilities other than provisions	14,941,576	31,640,815
	TOTAL EQUITY AND LIABILITIES	32,569,941	45,680,555

1 Accounting policies
4 Contractual obligations and contingencies, etc.
5 Collateral
6 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2016	80,000	13,959,740	14,039,740
Transfer through appropriation of profit	0	3,165,339	3,165,339
Equity at 31 December 2016	80,000	17,125,079	17,205,079

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Illumina Denmark ApS for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

The Company's revenue is generated primarily from the sale of products and services. Product revenue primarily consists of sales of instruments and consumables used in genetic analyses. Service and other revenue primarily consist of revenue generated from genotyping and sequencing services and instrument service contracts.

The Company recognises revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. In instances where final acceptance of the product or system is required, revenue is deferred until all the acceptance criteria have been met.

All revenue is recorded net of discounts and sales taxes collected on behalf of governmental authorities.

Revenue from product sales is recognised generally upon transfer of title to the customer, provided that no significant obligations remain and collection of the receivable is reasonably assured. Revenue from instrument service contracts is recognised as the services are rendered, typically evenly over the contract term.

The Company regularly enters into contracts where revenue is derived from multiple deliverables including products or services. These products or services are generally delivered within a short-time frame, approximately three to six months, after the contract execution date. Revenue recognition for contracts with multiple deliverables is based on the individual units of accounting determined to exist in the contract. A delivered item is considered a separate unit of accounting when the delivered item has value to the customer on a stand-alone basis. Items are considered to have stand-alone value when they are sold separately by any vendor or when the customer could resell the item on a stand-alone basis.

For transactions with multiple deliverables, consideration is allocated at the inception of the contract to all deliverables based on their relative selling price.

Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue' to and including 'Other external expenses' are consolidated into one item designated 'Gross margin'.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, bad debts, lease payments under operating leases, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Receivables

Trade accounts receivable are recorded at the net invoice value and are not interest bearing.

The Company considers receivables past due based on the contractual payment terms. The Company reserves specific receivables if collectibility is no longer reasonably assured. The Company also reserves a percentage of its trade receivable balance based on collection history and current economic trends that might impact the level of future credit losses. The Company re-evaluates such reserves on a regular basis and adjusts its reserves as needed. Once a receivable is deemed to be uncollectible, such balance is charged against the reserve.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax bases, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Other debt is subsequently measured at amortised cost corresponding to the nominal unpaid debt.

Other liabilities are measured at amortised cost, which, essentially, corresponds to the fair value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK	2016	2015
2	Staff costs		
	Wages/salaries	8,800,390	8,146,100
	Pensions	749,414	548,429
	Other staff costs	614,622	674,347
		10,164,426	9,368,876
	Average number of full-time employees	10	9

	DKK	2016	2015
3	Share capital		
	Analysis of the share capital:		
	800 shares of DKK 100.00 nominal value each	80,000	80,000
		80,000	80,000

The Company's share capital has remained DKK 80,000 over the past 5 years.

4 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	2016	2015
Rent and lease liabilities	39,500	92,970

Rent and lease liabilities include a rent commitment totalling DKK 2,652 and operating leases concerning cars totalling DKK 36,848 with a remaining term of 8 months.

5 Collateral

No security for loans had been placed at 31 December 2016.

6 Related parties

Related party transactions

All related party transactions have been made based on an arm's length principle.

The Company has entered into a reseller agreement with an affiliated company. Cost of sales are adjusted to reflect the defined operating margin range in the Company and the group's TP policy and intercompany agreements.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the share capital:

Name	Domicile
Illumina Netherlands BV	Science Park Eindhoven, 5692 Ea Son, Holland