

To our Shareowners, Customers, and Shareholders:

2013 marked another year of **industry-leading growth** for NuVasive! Our market share-taking strategy fueled **double-digit revenue growth**. We demonstrated **progress against our profitability goals** while investing further into the culture and growth drivers in support of our goal to become a **\$1 Billion Start-up.**TM



FINANCIAL HIGHLIGHTS FOR 2013

Financial results in 2013 exceeded our expectations. Total revenue of \$685 million represented over 10% growth, and every one of our major product groups outperformed their targets. We generated a non-GAAP operating margin¹ of almost 15%, which was ahead of our expectations in spite of numerous cost headwinds that surfaced over the course of the year. We also generated cash from operations of close to \$100 million and non-GAAP earnings of \$57.4 million, or \$1.23 per share.

DRIVING REVENUE GROWTH AND INCREASED PROFITABILITY

With the books closed on a fantastic 2013, our focus is on the future! We are evolving NuVasive[®] into an increasingly profitable spine powerhouse capable of generating well over \$1 billion in revenue. Our culture and company-wide commitment to change spine surgery will continue to be critical to the execution of that vision. As we grow, we are evolving our culture to expand our dominance of innovation in spine in the decades to come. To achieve that, we are incenting shareowners at every level of the organization to rethink processes and team architecture. We are challenging shareowners to inject innovation on a major scale and drive strategic execution by being champions of change, thinking creatively, and being inventive in everything that we do. With over 1,600 NUVA Family members focused on one mission – to change spine surgery and take market share, I am confident in our ability to achieve profitable growth toward \$1 billion in revenue and beyond. That growth will be driven by three key pillars:

1. We are driving the spine market shift toward minimally invasive surgery;
2. We are penetrating the traditional, or open, spine market with innovation;
3. And we are launching our market share taking strategy internationally.

CHAMPIONING THE SPINE MARKET SHIFT TOWARD MIS

NuVasive is at the forefront of the shift toward minimally invasive solutions, or MIS, which continues to unfold in spine. We estimate that less invasive solutions represented about 27% of the \$8.7 billion global market at the close of 2013. And as better patient outcomes, superior economic evidence, and the growth in the number of key institutions teaching MIS in fellowship programs continue to drive adoption, we expect MIS solutions will become the standard of care in spine.

¹ Non-GAAP operating margin excludes stock based compensation, amortization of intangible assets, certain IP litigation expenses, acquisition related items, and a one-time out of period royalty expense charge. See our Current Report on Form 8-K filed with the Securities and Exchange Commission on March 3, 2014, for a reconciliation of Non-GAAP financial measures.

We are championing the shift toward MIS with economic evidence. Our MIS market leadership and unrivaled years of experience give us a unique ability to educate decision makers on the cost effectiveness of our MIS solutions. There is a 10% to 14% reduction in overall costs to the hospital when a surgeon performs an XLIF[®] instead of a traditional open fusion procedure²—an incredibly powerful argument in this increasingly cost focused environment!

We are also driving the shift toward MIS with constant innovation. Our years of experience and research afford us a differentiated understanding of the unmet clinical needs in MIS, and where NuVasive can create additional value in the operating room. We just launched Bendini[®], rod-bending software designed to minimize the most time-consuming, most difficult, least reproducible step in long posterior constructs. We also launched the Decade[™] Lateral Plate, which can enable single approach lateral surgery. We introduced XLIF for anterior column realignment, or “ACR[™]”, an MIS technique that can restore lumbar lordosis. These are just a few of our many new and successful products.

Innovation is at the very heart of our continued ability to take share and drive the spine market conversion toward MIS. I am more excited about the direction of our current pipeline than I have been at any point in NuVasive’s past. We are making investments to bring innovation to fruition that will expand MIS surgical capabilities and continue to change the way spine surgery is being done.

“We are championing the shift toward MIS with constant **innovation**. Our years of experience and research afford us a **differentiated understanding** of the unmet clinical needs in MIS.”

PENETRATING THE TRADITIONAL MARKET WITH INNOVATION

Another major driver of our future growth will be increased penetration of the traditional spine market. The global traditional market, where we haven’t historically focused much, is over \$6 billion, nearly three times the size of the MIS market. As we continue to introduce innovative ways to perform traditional procedures, we are not just capturing share of the traditional market, we are also establishing relationships with new surgeons who will gradually convert to MIS.

Strong surgeon demand and the success of recent product launches that address traditional procedures like Precept[®], MAS[®] PLIF, MAS[®] TLIF, VuePoint[®] 2, and MaXcess-C[™] demonstrate that our drive to change spine surgery really isn’t about MIS or open. Our success comes from architecting new and better procedures to achieve improved patient outcomes in a reproducible way. Faster, better, cheaper! NuVasive has a unique ability to deliver on that development mantra! We had strong success driving it in 2013 and expect to expand upon it with our robust new product pipeline.

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LAUNCHING OUR SHARE TAKING STRATEGY INTERNATIONALLY

The third major driver of our long term revenue growth will be launching our market share taking strategy internationally. As we drive toward \$1 billion in revenue, we expect the revenue we generate internationally to almost triple, approaching \$200 million.

² Source: Dimnick, Weeks, Karia, Das, Campbell; American College of Surgeons. 2006

Increased penetration across EMEA is crucial to that expansion. We built upon the executive leadership changes executed last year with additional highly experienced country leaders to effectively drive share gains in the most important markets; Germany, the UK, Italy, and Spain; and to develop new and emerging market opportunities. In Asia Pacific, we are ramping aggressively. We have strong momentum in Japan, where the demands for surgeon training and the adoption rates in our inaugural year have been fantastic. We are also cultivating our leadership position in Australia and growing strategically in China. In Latin America, efforts are underway to further develop our position in Brazil and in Mexico. We just appointed a new exclusive distributor in Argentina, which will improve our ability to service customers across the region. In sum, we have exceptional, seasoned international leadership, subsidiaries in 8 key overseas markets, and 20 distributors in 20 countries. The members of our International NUVA family are extremely excited and well positioned to replicate NuVasive's share taking strategy globally.

IMPROVING PROFITABILITY

We believe that those three drivers can support our growth toward \$1 billion in revenue and beyond. In conjunction with that top-line growth, we are committed to operating margin expansion toward at least 20% on a non-GAAP basis over the same time frame. The greatest driver of that expansion will be our international efforts, which have reached a scale that is leveraging the investments made to develop our global infrastructure. With the acquisition of NuVasive Manufacturing, we are taking steps toward increased vertical integration, which will also gradually enhance our operating profitability.

We are driving to improve asset productivity, with initiatives to improve inventory positions and distribution methods while leveraging IT investments. And our sales force will be a great opportunity for improved efficiency as new mobility platforms and revamped sales teams drive deeper geographic penetration.

“Our commitment to improve patients’ lives by continuously evolving and changing spine surgery means we are just getting started.”

ONWARD AND UPWARD!

2013 results clearly demonstrate that our market share taking strategy is thriving! Importantly, we are cultivating the drivers that will support top and bottom line growth for many years to come.

In May of 2014, we will notch 10 years for NUVA as a public company. Over our first decade, we pioneered the lateral approach to spine fusion surgery. We developed an idea into a company by

engaging early adopter surgeons, driving broad penetration, and amassing the clinical evidence to build that idea into a procedural platform. In just 10 years, we launched over 90 products, establishing a comprehensive portfolio that addresses every level and pathology of the spine achieving better patient outcomes, surgical reproducibility, and cost savings. We were able to do all of that by fostering a vibrant corporate culture with a collective will to succeed in changing spine surgery.

Some companies would be content to simply celebrate those achievements, but our commitment to improve patients’ lives by continuously evolving and changing spine surgery means we are just getting started. We are systematically converting the global market to MIS solutions. And our dedication to innovation has conceived a pipeline that might dwarf what we achieved in our first ten years.

Onward and upward!



Alexis V. Lukianov
Chairman and Chief Executive Officer