



NUVASIVE
Speed of Innovation™

To our Shareowners, Customers, and Shareholders:

The year 2011 marked another year of industry leading growth for NuVasive, driven by the execution of our market share taking strategy. Our innovative XLIF® platform, coupled with our comprehensive spine portfolio, fueled revenue growth of over 13% within a US spine market that did not grow. We also made progress against our profitability goals and generated over \$63 million in cash from operations. The highlights of 2011 included the acquisition of Impulse Monitoring, further success in our efforts to ensure spine patient access to the care that they need, the expansion of clinical evidence for our technology, and continued development of the levers of NuVasive's future growth.

In October 2011, we acquired Impulse Monitoring, which affords us a unique opportunity to procedurally integrate a comprehensive intra-operative monitoring solution. The integration of Impulse will open up an incremental per procedure revenue opportunity in a market that is growing about 15% annually, and while that aspect alone is encouraging, the strategic rationale behind the combination will play out over the long term. Our team of neurophysiologists, who are exceptionally valued members of their operating room teams, can help surgeons fundamentally appreciate the power of integrated neuromonitoring and our highly differentiated and broad product portfolio. Combined with our focus on superior clinical outcomes, we believe this strategy will drive surgeon conversion and accelerate our ability to take market share.

The current challenges in the US spine market are the result of several commercial insurance providers increasing the level of scrutiny and the enforcement of criteria necessary for spine patients to receive reimbursement preauthorization for lumbar fusion procedures. As coverage for legitimate treatment continues to be denied or delayed, procedure volumes are being negatively impacted. NuVasive has taken a leadership position in marshaling the surgeon community and supporting the surgical societies to enact change and to ensure patient access to care. The effort succeeded in affecting insurer coverage decisions across several commercial payers and CMS contractors in 2011, but our hope ultimately is to drive consistency across providers on a national scale. With that goal in mind, a health technology assessment, or HTA, which is a collection of peer reviewed literature in support of lumbar fusion, was submitted by the industry for publication. The HTA will help the industry work with the insurers to best incorporate clinically supported guidelines for spine fusion and we are hopeful that additional progress will be made in 2012.

NuVasive leads the industry in the breadth of data documenting the benefits of lateral surgery as a procedural solution, encompassing integrated neuromonitoring, indication specific implants, and specialized instruments. In 2011, we made great strides building clinical evidence, with 67 new peer-reviewed articles published on XLIF, 28 new manuscripts submitted to journals, and 184 new abstracts presented at industry conferences.

Our commitment to development is a key driver of sustainable future growth, and in 2011, we also made great strides in further establishing NuVasive's reputation as the most innovative company in

spine. With over 70 solutions to offer surgeon customers, we have achieved the portfolio depth necessary to effectively participate in new vendor negotiations as a top five global spine company. Our ability to compete for new business with differentiated open and MIS solutions against the top players in spine is unprecedented. This comes at an opportune time when hospitals are reducing vendor relationships to three to five vendors for their spine product needs. In 2011, we launched numerous new solutions, including the next generation of our MaXcess retractor with integrated neuromonitoring, a software upgrade for NeuroVision, and a series of new indication-specific implants including our X-Core expandable cage for corpectomies. The surgeon community has come to expect big ideas from NuVasive and as we drive toward \$1 billion in revenues, we will not disappoint. In fact, we have our sights set on becoming a \$1 Billion Start Up, where we can offer the speed and passion of a start up, with the experience and resources of a larger company.

Our ability to drive sustainable future growth will be a direct result of continued surgeon adoption, which we facilitate with world class surgeon training, the cultivation of existing surgeon relationships, and the expansion and development of our sales team. At our training facilities in San Diego and at NUVA East, we exceeded our expectations for surgeon training sessions in 2011. As we advance the capabilities of the XLIF procedure to address new pathologies and to treat additional levels of the spine, surgeon training is increasingly being tailored to drive the adoption of XLIF for more complex procedures and to add depth to existing surgeon relationships. We also expanded the reach of NuVasive's global sales force in 2011 by adding more sales representatives both domestically and internationally, and importantly, the productivity of the sales team continues to improve.

Another major lever of growth moving forward will be on the international front. With a footprint in over 35 countries, 2011 marks the first year that our international operations broke even from a profitability perspective, marking an exciting inflection point for NuVasive following several years of investment, and strengthening our plans for profitable expansion. We are especially excited to enter the second largest spine market outside of the US by beginning operations in Japan later in 2012.

I am very proud of the entire NuVasive family, which now includes the team at Impulse Monitoring. Our focus on results, Speed of Innovation and high-performance culture has established us as one of the top spine companies in the world, with products and services that address the entire spine with innovative, integrated procedural solutions. We are in a unique position to fully capitalize as the spine market continues to shift toward minimally invasive solutions. Through the breadth of our procedural offerings, proliferation of new products, global expansion, and continued focus on superior clinical outcomes, we are well positioned to become the #3 spine company in the world, growing revenue to \$1 billion with greatly improved profitability.

Onward and Upward!



Alexis V. Lukianov
Chairman and Chief Executive Officer